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ABSTRACT

The purpose of the study series is to monitor the progress of private colleges and universities regularly and to provide reliable and timely information for the use of government officials, educators, donors, students, faculty, and other persons or groups interested in private higher education. It is based on information gathered from a stratified sample 100 accredited four-year institutions representative of 866 colleges and universities. Research universities and autonomous professional schools are not represented. Data and analyses are given for: enrollment and admissions; faculty and other staff; educational program content and quality; operating revenues and expenditures; assets, liabilities, and net worth; and analysis of the condition of individual institutions. Notes on the study methodology are appended. (MSE)

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PRIVATE HIGHER EDUCATION

Third Annual Report

on

Financial and Educational Trends in the Private Sector of American Higher Education

1977

by

W. JOHN MINTER and HOWARD R. BOWEN

U S DEPARTMENT OF HEALTH, EDUCATION & WELFARE
NATIONAL INSTITUTE OF EDUCATION

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1818 R Street, N. W.
Washington, D. C. 20009

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FOREWORD

This report on the "Financial and Educational Trends in the Private Sector of American Higher Education" is the third of a series of annual studies which have been conducted under the auspices of the Association of American Colleges, with support from the Lilly Endowment. In many ways we believe they represent a unique contribution.

More studies in this area, in a sense, describe only a particular moment of time in the life of the private college and university. Also they focus upon just the fiscal state-of-health of the institutions, singly or collectively. Thanks to this effort by Howard R. Bowen and W. John Minter, however, we are able both to inspect financial trends, dating for the most part back to the base year 1969-70, and to see the important interrelationships between the financial and the academic. Implicit in this study is the basic concept that the fiscal has significance to the extent that it implements the academic quality of the campus, for a college is not a business but an educational enterprise.

This is perforce the final of these reports to be sponsored by AAC--essentially because of its recent change of mission to become the national association for liberal learning. It is our hope, however, that means will be found to continue what we believe to be an extremely important service to all of higher education and a valuable instrument for the framers of national policy concerning the private sector.

On behalf of the Board of Directors of AAC I wish to record our gratitude to Drs. Bowen and Minter for their outstanding contribution to the "state of the art"; to the members of the project Advisory Committee for their continued input; and to the Lilly Endowment for its understanding and support.

Frederic W. Ness, President
Association of American Colleges

PREFACE

This study is the third of an annual series of reports on financial and educational trends in the private sector of American higher education. The purpose is to monitor the progress of private colleges and universities regularly and to provide reliable and timely information for the use of government officials, educators, donors, students, faculty, and other persons or groups interested in private higher education. The study is sponsored by the Association of American Colleges and financed by a grant from the Lilly Endowment, Inc.

The first two reports covered the period 1969-70 through 1974-75. In this report, the statistical series and analysis are carried forward through the year 1975-76 and for some data through 1976-77.

The study is based on a stratified sample of 100 accredited four-year institutions representing a universe of 866 institutions. All parts of the four-year private sector are represented except major research universities and autonomous professional schools (such as theological seminaries and music conservatories). The participating institutions have been superbly cooperative in supplying the basic data year after year. The exceptionally high rate of response is gratifying and greatly appreciated.

The following persons have been supportive and helpful in many ways: Frederic W. Ness and Van Court Wilkins of the Association of American Colleges; Landrum Bolling of the Lilly Endowment; Dorothy Pearson and Janet Tanner who assisted in the preparation of the manuscript; Darlene Clemenson, Cathy Conger, and Bonnie King who assisted in the gathering and analysis of statistics.

The study was designed and executed in consultation with an Advisory Committee whose suggestions and criticisms were extraordinarily helpful. The members of this Committee are:

Earl F. Cheit, University of California, Berkeley
Peggy Heim, TIAA-CREF
Hans H. Jenny, College of Wooster
Lyle H. Lanier, American Council on Education
Frederic W. Ness, Association of American Colleges
Morgan Odell, Association of Independent California Colleges and Universities
Sidney A. Rand, St. Olaf College
William A. Shoemaker, Council for the Advancement of Small Colleges

Having made these acknowledgments, the full responsibility for the report rests with the undersigned.

W. John Minter

Howard R. Bowen

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CHAPTER I

INTRODUCTION

This report is the third in an annual series on the financial and educational condition of the private sector of American higher education. This introduction is designed to provide continuity with the previous reports. Those who are familiar with the two earlier documents may wish to skip this chapter.

Private higher education is an important--even indispensable--part of the American higher educational system. It adds diversity, it offers competition to an otherwise all-embracing public system, it provides a center of academic freedom removed from political influence, it is deeply committed to liberal learning, it is concerned for human scale and individual personality, it sets standards, it provides educational leadership, and it saves money for taxpayers. Not every private college or university achieves all of these results, but enough institutions do achieve some of them to make survival of a strong private sector a major goal in the broad public interest.

Despite its acknowledged achievements, the private sector is widely believed to be in serious jeopardy. There are many reports that it faces increasing competition from hundreds of new public institutions; that it has had to raise tuitions substantially year after year so that the tuition gap between private and public institutions has widened; that its income from gifts and endowments has not kept pace with rising costs; and that the pool of available students is contracting. It is often asserted that these circumstances threaten to destroy some private colleges and universities, to drive some into the public sector, and to weaken most.

Given the social importance and vulnerability of the private sector, it has become an object of deep concern not only for its private donors and sponsors but also for state and federal governments. Many states have acted on behalf of the private colleges and universities within their borders and the Federal Government is showing increasing interest. Also, many of the private institutions have themselves taken steps to strengthen their position through improved management, budgetary adjustments, and application of increased effort. Nevertheless, the concern remains. Under these conditions, it is a matter of considerable importance to have an early-warning system consisting of reliable and up-to-date information about the private sector.

Broad General Conclusions of the First Two Reports

The first two reports did not confirm the frequently asserted opinion that most private colleges and universities are essentially defunct and on their way to oblivion. Neither did they confirm the proposition, sometimes but less frequently asserted, that they are enjoying prosperity. The truth was found to be somewhere between these two extremes. Our conclusion in 1976 was as follows:

--Most of the evidences of weakness are related to the unusual inflation of recent years or they are factors that could lead to trouble in the future but have not yet caused serious damage. When one considers the evidences of steadiness along with the evidences of weakness or potential deterioration, the conclusion is inescapable that up to the most recent year, "steadiness without stagnancy" describes the factual situation.

--Our overall results may seem paradoxical. On the one hand, the private institutions were found to have lost ground financially in 1974-75 as revenues failed to keep pace with inflation. On the other hand, they were found to have "held their own" or "gained ground" in overall quality of performance and to have expanded rather than cut back curricula and programs. The paradox can easily be resolved. The financial problem arising from inflation was absorbed in part by the fact that salaries did not keep up with inflation. And the ability to maintain or even expand programs and to avoid serious retrenchment was due to heavier work loads for faculty and other staff and to curtailment of various expenses yielding only marginal return. We suspect also that some essential expenses were deferred, for example, plant maintenance and library acquisitions, and that these deferrals could affect quality in the long run and could give rise to future financial strain. It is difficult to obtain hard data on these deferrals; unfortunately, our information does not cover them adequately.

--We would emphasize that the current situation of "steadiness without stagnancy" can change. Indeed every serious observer of private higher education knows that the position of private universities and colleges is precarious. But up to the present, they appear to have held their own. The institutions report overwhelmingly that their staying power has been due in part to the growing state and federal programs of aid to students and to institutions. It has also been due to careful management, to the continuing support of friends and donors, and to the evident fact that private institutions continue to be attractive to millions of students.

Scope and Method

The study is limited to accredited, private, non-profit, four-year institutions of higher education of the following types (as defined by the Carnegie Commission on Higher Education):[1]

1. Doctoral-granting Universities I (awarded 40 or more Ph.D.s in 1969-70 or received at least $3 millions in federal funds) and

   Doctoral-granting Universities II (awarded at least 10 Ph.D.s in 1969-70).

2. Comprehensive Universities and Colleges I (enrolled more than 2,000 students and offered a liberal arts program and at least two professional programs) and

   Comprehensive Universities and Colleges II (enrolled more than 1,500 students and offered a liberal arts program and at least one professional program).

3. Liberal Arts Colleges I (selective in admissions standards or among leading institutions in number of graduates later receiving Ph.D.s).

4. Liberal Arts Colleges II (all other liberal arts colleges).

These four types include 866 institutions serving about 1,469,000 students in 1969-70. They represent 65 percent of the institutions and 73 percent of the enrollment in the private sector.

The excluded types of institutions are major research universities, two-year colleges, and specialized professional schools (such as music conservatories and theological seminaries). These were not included because each involves special issues and problems requiring detailed study beyond the limits of available resources. We hope in a future year to widen the coverage to include additional types of institutions.

The study is based on a sample of 100 institutions representing 11.5 percent of the 866 institutions in the population. The sample was drawn to insure representation of the several types of institutions, of four broad regions of the country, and of institutions of various sizes as measured by enrollment.[2] The participating institutions are listed at the end of this chapter.

---

[1] A Classification of Institutions of Higher Education (Berkeley: Carnegie Commission on Higher Education, 1973).

[2] An alternate for each sample institution was also drawn. For the few institutions which declined to participate, the alternate institutions were included.

The participating institutions are requested annually to submit copies of the following documents:

Higher Education General Information Survey (HEGIS)
Salary information as submitted to AAUP
Audited financial statement
Annual budget
Annual report of president
Catalog
Voluntary support survey

In addition, each is asked each year to respond to a questionnaire, parts of it to be filled out by the director of admissions, chief student aid officer, chief academic officer, housing director, chief financial officer, and president or chancellor.

The study is based primarily on the tabulation and analysis of these documents. As would be expected, the rate of response has varied for different documents and different questions. For some items, particularly financial and enrollment data, the response has been almost perfect. For some other items, the response has been as low as 70 percent. On the whole, however, the response has been excellent and in our judgment, the data are reliable.

In the analysis of the data, emphasis is given to indicators reflecting changes over time in the condition of the private sector. The basic question to be answered is: In what ways are the private colleges and universities gaining ground, holding their own, or losing ground? The analysis is in three parts: (1) consolidated trends for all institutions, (2) comparative trends for different types of institutions, and (3) estimates of the overall condition of each institution included in the sample.

The data derived from the sample for any given type of institution are weighted to produce estimates of comparable data for all institutions of that type. The weights used are enrollments in 1969-70. Thus, if total enrollment in the sample institutions of Liberal Arts Colleges II were 50,000 and if total enrollment of all institutions of that type were 500,000, any datum derived from the sample (for example, total expenditures), would be multiplied by 10 to produce an estimate for all Liberal Arts II institutions.

The data are frequently expressed as index numbers usually with the year 1969-70 as the base. An index number simply expresses the percentage relationship between a datum for a given year and the corresponding datum for the base year. For example, if total expenditures of Liberal Arts Colleges II in 1969-70 were $10 million and in 1974-75 were $15 million, the index numbers would be 100 for 1969-70 and 150 for 1974-75. On the basis of these numbers, one could say that expenditures had increased 50 percent over the period from 1969-70 to 1974-75.

List of Institutions in Sample

Doctoral-Granting Universities

Adelphi University
Dartmouth College
University of Denver
Drexel University
Georgetown University
Marquette University
University of Notre Dame
University of the Pacific
Southern Methodist University
University of Tulsa

Comprehensive Universities and Colleges

Abilene Christian College
University of Albuquerque
Baldwin-Wallace College
Capital University
University of Dayton
Drake University
Elmira College
Fairleigh-Dickinson University
Geneva College
Gonzaga University
University of Hartford
Iona College
Lafayette College
Merrimack College
Oklahoma Baptist University
Ouachita Baptist University
Pacific Lutheran University
University of Puget Sound
Roger Williams College
Russell Sage College
St. Lawrence University
St. Norbert College
University of Santa Clara
Seton Hall University
Simmons College
Suffolk University
Texas Wesleyan College
Trinity University
Tri-State College
Union College
Valparaiso University
Villanova University

Liberal Arts Colleges I

Allegheny College
Augustana College
Carleton College
Colorado College
Davidson College
Hamilton College
Kalamazoo College
Kenyon College
Macalester College
Mt. Holyoke College
College of New Rochelle
Oberlin College
Randolph-Macon Woman's College
Reed College
Ripon College
Rosemont College
St. Olaf College
Salem College
Washington and Lee University
Wells College
Westminster College
Wheaton College
Whitman College
Williams College

Liberal Arts Colleges II

Belmont Abbey College
Bennett College
Berry College
Bethel College
Bryan College
Campbell College
Clark College
Curry College
Dominican College of Blauvelt
Elmhurst College
Fisk University
George Fox College
Marian College of Fond due Lac
Meredith College
Miles College
Milligan College
Millsaps College
North Central College
Northwestern College
Paine College
Presbyterian College
Paul Quinn College
Regis College
Rivier College
Rust College
St. Paul's College
Shaw University
Stephens College
Talladega College
Tarkio College
Unity College
Upsala College
Westmont College
Wilmington College

CHAPTER II

ENROLLMENT AND ADMISSIONS

Perhaps the most conspicuous mark of a healthy college or university is the capacity to attract and hold students. Among the most important indicators signaling impending or actual distress are declining numbers of applicants, increasing student attrition, and declining enrollments. In this chapter we review trends in admissions and enrollments over the period 1969-70 to 1976-77.

Enrollment

As shown in table 1, total enrollments in private colleges and universities have held about steady for several years. In 1976-77, there was a slight decrease for the Comprehensive Universities and Colleges and a slight increase for Liberal Arts Colleges I and II, but no changes of significant size. The stability of private college enrollments is due in part to the practice in many institutions of setting ceilings on numbers of students and of intensifying recruitment efforts in case enrollment falls short of quotas.

Stability of total enrollment conceals considerable fluctuation from year to year in the "mix" of students (see table 1). In general, the trend has been toward an increasing proportion of graduate, professional, and non-degree part-time students, and a decreasing proportion of regular undergraduate students. In 1976-77, this trend was less pronounced than in recent years, except that the part-time, non-degree students showed a substantial gain.

Admissions

Changes in the admission experience in 1976-77, though small, were on the whole reassuring (see table 2). There were slight gains across the board in numbers of applications and in numbers of new students admitted. These gains were too small to be regarded as heralding an upward future trend. It does appear, however, that in 1976-77 student admissions were at least stable. The ability of entering students as measured by SAT scores and rank in high school class also held about steady. The small decline in average SAT scores was about comparable to the decline in these scores nationally (see table 4). Table 3, which shows the SAT scores and high school ranks by types of institutions, indicates that the Liberal Arts Colleges II may have lost ground in average SAT scores, though their position with respect to high school rank of new students appeared stable. The

TABLE 1

OPENING FALL ENROLLMENT, FULL-TIME EQUIVALENTS, 1969-70 to 1976-77[1]
(Index Numbers: 1969-70 - 100)

	1969-1970	1971-1972	1972-1973	1973-1974	1974-1975	1975-1976	1976 1977
Four Types of Institutions Combined:							
Freshmen and Sophomores	100	102	100	98	98	99	101
Juniors and Seniors	100	103	105	101	101	101	100
Sub-total: Undergraduates	100	102	102	100	99	99	99
Graduate Students	100	124	117	130	129	134	127
Professional Students	100	136	146	156	177	176	179
Other[2]	100	120	133	143	147	141	155
Sub-total: Graduate, Professional, & Other	100	127	129	140	147	148	147
Grand Total: All Students	100	107	107	107	108	109[3]	108
Doctoral-Granting Universities:							
Freshmen and Sophomores	100	98	98	100	96	97	99
Juniors and Seniors	100	98	103	99	98	97	97
Sub-total: Undergraduates	100	98	100	99	97	97	98
Graduate Students	100	115	111	121	116	121	118
Professional Students	100	125	132	145	158	157	159
Other[2]	100	96	106	96	177	212	234
Sub-total: Graduate, Professional, & Other	100	116	118	126	139	145	146
Grand Total: All Students	100	103	105	106	107	109	110
Comprehensive Universities and Colleges:							
Freshmen and Sophomores	100	104	98	98	97	98	99
Juniors and Seniors	100	106	106	103	102	102	103
Sub-total: Undergraduates	100	105	102	100	100	100	99
Graduate Students	100	135	121	140	147	152	136
Professional Students	100	164	185	187	230	232	235
Other[2]	100	182	196	194	148	112	127
Sub-total: Graduate, Professional, & Other	100	152	152	163	167	155	152
Grand Total: All Students	100	112	110	109	110	109	107

TABLE 1 (Continued)

	1969-1970	1971-1972	1972-1973	1973-1974	1974-1975	1975-1976	1976-1977
Liberal Arts Colleges I:							
Freshmen and Sophomores	100	105	107	109	109	108	111
Juniors and Seniors	100	103	108	110	112	113	113
Sub-total: Undergraduates	100	104	107	109	110	110	110
Graduate, Professional, and Other[4]	100	189	232	189	186	177	166
Grand Total: All Students	100	106	110	111	112	111	113
Liberal Arts Colleges II:							
Freshmen and Sophomores	100	108	100	91	97	101	101
Juniors and Seniors	100	106	107	102	102	103	103
Sub-total: Undergraduates	100	107	103	95	99	102	102
Graduate, Professional, and Other[4]	100	31	47	139	75	102	109
Grand Total: All Students	100	103	100	98	97	102	103

[1]Based on returns from 96 of 100 institutions.

[2]"Other" includes chiefly part-time, non-degree students.

[3]The precise number was 108.53.

[4]Because the numbers are relatively small and somewhat erratic, separate data for graduate, professional, and other are not shown.

TABLE 2

EXPERIENCE OF PRIVATE COLLEGES AND UNIVERSITIES IN THE RECRUITMENT AND ADMISSION OF UNDERGRADUATE STUDENTS, 1969-70 THROUGH 1976-77

	Autumn of Each Year						
	1969-1970	1971-1972	1972-1973	1973-1974	1974-1975	1975-1976	1976-1977
1. Number of completed applications received for admission to freshmen class[1]	100	98	96	91	91	92	96
2. Number of applicants offered admission to the freshmen class[1]	100	102	97	95	94	95	97
3. Number of full-time equivalent students admitted to the freshmen class[1]	100	96	92	90	90	94	96
4. Number of full-time equivalent undergraduate transfer students admitted[1]	100	131	134	135	134	127	130
5. Number of full-time equivalent undergraduate students, freshmand and transfer, admitted[1]	100	101	101	98	98	100	102
6. Offers of admission to the freshmen class as percentage of completed applications received	70%	73%	73%	75%	76%	73%	71%
7. Entering freshmen as percentage of admissions offered	53%	50%	50%	51%	51%	51%	51%
8. Average Combined Scholastic Aptitude Test (SAT) Scores of entering freshmen[2]	1063	1046	1033	1023	1010	1005	1002
9. Percentage of entering freshmen by rank in high school class: Top fifth	51%	49%	51%	53%	51%	50%	50%
Second fifth	27	25	26	24	25	25	25
Third fifth	15	16	14	15	15	15	15
Lowest two-fifths	7	10	9	8	9	10	10

[1] Index numbers: 1969-70 = 100.

[2] In interpreting these average scores, it should be noted that from 1969-70 to 1975-76, average SAT scores decline for all entering freshmen. The rate of decline for institutions in our sample was similar to that for all institutions. See 1976 report, pp. 12-14.

TABLE 3

SCHOLASTIC APTITUDE TEST (SAT) SCORES AND RANK IN HIGH SCHOOL CLASSES, ENTERING FRESHMEN, BY TYPE OF INSTITUTION, 1969-70 to 1976-77

		Doctoral-Granting Universities	Comprehensive Universities and Colleges	Liberal Arts Colleges I	Liberal Arts Colleges II	Four Types of Institutions Combined
SAT Combined Scores[1]						
1969-70 Autumn		1127	1051	1197	983	1063
1974-75 Autumn		1071	1009	1137	924	1010
1975-76 Autumn		1068	1002	1114	924	1005
1976-77 Autumn		1074	1001	1118	911	1002
Percentage by Rank in High School Class:						
Top fifth	1969-70	70%	45%	65%	39%	51%
	1974-75	67	51	64	35	51
	1975-76	71	48	57	34	50
	1976-77	73	46	57	34	50
Second fifth	1969-70	23	30	21	29	27
	1974-75	24	26	21	26	25
	1975-76	18	25	25	25	23
	1976-77	18	27	27	27	25
Third fifth	1969-70	5	19	10	19	15
	1974-75	6	16	10	20	15
	1975-76	6	17	12	20	15
	1976-77	6	16	10	22	15
Bottom two fifths	1969-70	2	6	4	13	7
	1974-75	3	7	5	19	9
	1975-76	4	8	5	17	10
	1976-77	3	8	5	17	10

[1] In interpreting these average scores, it should be noted that from 1969-70 to 1975-76 average SAT scores declined for all students taking the test. The rate of decline for institutions in our sample was similar to that for all institutions. See 1976 report, pp. 12-14.

TABLE 4

AVERAGE SCORES ON SAT COLLEGE ADMISSION TESTS AS COMPARED WITH AVERAGE SAT SCORES FOR THE SAMPLE OF INSTITUTIONS INCLUDED IN THIS STUDY

Year in Which Test Administered[1]	National Averages SAT Scores		Averages for Sample SAT Scores	
	Scores	Index[2]	Scores	Index[2]
1968-69	953	100.0	1063	100.0
1969-70	948	99.5	1054	99.2
1970-71	941	98.7	1046	98.4
1971-72	932	97.8	1033	97.2
1972-73	924	96.9	1023	96.2
1973-74	918	96.3	1010	95.0
1974-75	906	95.1	1005	94.5
1975-76	903	94.8	1002	94.3

[1]One year before admission to college.

[2]Index Numbers: 1968-69 = 100.

long upward trend in the size of admissions staffs was apparently arrested in 1976-77 (see table 5). The Liberal Arts I institutions, however, continued to expand their admissions staffs. Moreover, for them, the ratio between number of students admitted and number of admissions personnel was low--in the neighborhood of 50 to 1--suggesting that competition was keen and student recruitment costs high.

Student Attrition

Table 6 presents some evidence about trends in attrition rates. One source of data is percentage of undergraduate students who left college during the years 1972-73 through 1975-76. As the table shows, there was little change. Another bit of evidence is undergraduate admissions as a percentage of total undergraduate enrollment. This percentage is a measure of the number of new students needed to maintain a given student body. Again, the data reveal no significant change. The private sector has apparently held steady, or even improved slightly, with respect to student dropouts.

TABLE 5

CHANGES IN THE SIZE OF THE ADMISSIONS STAFF, BY TYPE OF INSTITUTION, 1969-70 TO 1976-77

	Doctoral-Granting Universities	Comprehensive Universities and Colleges	Liberal Arts Colleges I	Liberal Arts Colleges II	Four Types of Institutions Combined
Number of persons (full-time equivalent) on admissions staff[1]					
1969-70	100	100	100	100	100
1974-75	142	116	122	130	127
1975-76	158	135	135	141	144
1976-77	162	123	148	141	142
Ratio between number of students admitted and number of persons on admissions staff					
1969-70	119:1	136:1	64:1	74:1	104:1
1974-75	86:1	110:1	57:1	58:1	82:1
1975-76	76:1	102:1	50:1	59:1	74:1
1976-77	76:1	113:1	48:1	59:1	76:1

[1] Index Numbers: 1969-70 = 100.

TABLE 6

INDICATORS OF STUDENT ATTRITION, BY TYPE OF INSTITUTION, 1969-70 THROUGH 1976-77

	Percentage of Undergraduate Students Leaving College[1] During or at the End of:			Number of Undergraduate Freshmen and Transfer Students Admitted as Percentage of Total Undergraduate Enrollment		
	1973-74	1974-75	1975-76	1969-70	1975-76	1976-77
Doctoral-Granting Universities	13%	13%	13%	31%	33%	33%
Comprehensive Universities and Colleges	16	15	13	33	31	32
Liberal Arts Colleges I	12	11	11	33	31	32
Liberal Arts Colleges II	19	20	18	41	39	41
Four Types of Institutions Combined	15	15	14	33	33	34

[1]Not including graduates.

Overall Enrollment Situation

The participating institutions were asked if they would have preferred to enroll additional students, and, if so, how many. The responses, presented in table 7, show that an increased percentage of Comprehensive Universities and Colleges and Liberal Arts Colleges II would liked to have had more students. Moreover, an increased percentage of Liberal Arts Colleges I indicated that they had room for more students. Thus, it appears that in most institutions there was some slack in total enrollment. This conclusion is corroborated by data on student housing occupancy which was about 93 percent of capacity in 1976-77, about the same as in the preceding year.

Finally, the institutions were asked to forecast their undergraduate enrollment for the next three years (see table 8). The forecast for the four types of institutions combined was a modest 1 percent a year increase over the three-year period. The Liberal Arts Colleges I projected the least change; the Liberal Arts Colleges II projected the most.

TABLE 7

SHORTFALL IN UNDERGRADUATE ENROLLMENT (FULL-TIME EQUIVALENT), 1974-75 TO 1976-77

Responses of Institutions to Question: Would you have preferred to enroll additional students?					For those reporting preference for more students, percentage increase in enrollment that could have been accommodated without significant additions to faculty, housing, classrooms
	Yes	No	No Answer	Total	
Doctoral-Granting Universities:					
1974-75	5	3	2	10	7%
1975-76	7	1	2	10	3
1976-77	7	0	3	10	5
Comprehensive Universities and Colleges:					
1974-75	14	6	12	32	7
1975-76	13	11	8	32	12
1976-77	19	4	9	32	7
Liberal Arts Colleges I:					
1974-75	11	10	3	24	8
1975-76	11	12	1	24	7
1976-77	11	11	2	24	13
Liberal Arts Colleges II:					
1974-75	23	2	9	34	11
1975-76	20	5	9	34	12
1976-77	25	0	9	34	13
Four Types of Institutions Combined:					
1974-75	53	21	26	100	n.a.
1975-76	51	27	20	100	n.a.
1976-77	61	16	23	100	n.a.

TABLE 8

INSTITUTIONAL PROJECTIONS OF UNDERGRADUATE ENROLLMENT (FULL-TIME EQUIVALENT) BY TYPE OF INSTITUTION (Index Numbers: 1976-77 = 100)

	Actual	Estimated Enrollment		
	1976-77	1977-78	1978-79	1979-80
Four Types of Institutions Combined	100	100	102	103
Doctoral-Granting Universities	100	101	103	104
Comprehensive Universities and Colleges	100	101	102	102
Liberal Arts Colleges I	100	101	100	101
Liberal Arts Colleges II	100	97	103	105

Conclusions

Our study of changes in enrollment and admissions suggests that the private sector held its own in 1976-77. There were no adverse changes of significance and no great leaps forward.

1. Both undergraduate and total enrollments remained about constant. Differences among the several groups of institutions were small.

2. Admissions data suggest a slight improvement in 1976-77 in the power of the institutions to attract qualified students. Numbers of applications and admissions were up slightly. The academic ability of the freshmen admitted as measured by SAT scores and high school ranks held steady.

3. The upward trend of recent years in the size of admissions staffs appears to have been arrested, but the competitiveness of the "market" for new students continues to be keen.

4. No significant changes occurred in 1976-77 in rates of student attrition.

For the future, the overall enrollment situation remains uncertain in view of the demographic changes due in the 1980s and in view of the new interests of students in vocational education. However, up to 1976-77, the private sector has on the whole maintained its position in both numbers and academic qualifications of its students. The aggregate figures presented in this chapter, however, obscure wide variations in the fortunes of individual institutions.

CHAPTER III

FACULTY AND OTHER STAFF

In universities and colleges, a large proportion of total expenditures are personnel costs. One of the ways institutions may accommodate to changing conditions is to control increases in the payroll. This can be done by adjusting the number of persons employed, compensation rates, or both. In this chapter, we consider changes in the number, compensation, and working conditions of faculty and non-academic staff as possible indicators of financial circumstances in private higher education.

Faculty Size

For the first time in several years, the number of faculty members increased (table 9). We are at a loss to explain the increase because there was no corresponding increase in enrollment. Nevertheless a careful review of the data supplied by the institutions in our sample indicated that the faculty expansion did in fact occur. This further substantiates the evidence we have received over the previous two years to the effect that very little retrenchment has taken place.

Faculty Compensation

As shown in table 9, average faculty compensation (including salaries and fringe benefits) in the institutions in our sample rose by 5 percent in 1976-77. With the subsidence of inflation, this increase nearly equalled the estimated rise in the Consumer Price Index and in Average Weekly Earnings in Non-Agricultural Employment as shown in table 10. This was a considerable improvement over the three preceding years when faculty compensation did not keep pace with inflation, the improvement being not that faculty compensation increased so generously but that inflation slowed down.

Historically, the academic profession has lost ground financially during periods of inflation and has gained ground during periods of declining or stable price levels.[1] If inflation comes under control, it is possible that the recent decline in the real earnings of faculty members will be reversed. If inflation heats up again, however, faculty will probably again lose ground financially.

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[1] Howard R. Bowen, "Faculty Salaries: Past and Future," Educational Record, Winter 1968, pp. 9-21.

TABLE 9

CHANGES IN NUMBER AND COMPENSATION OF FACULTY,
1969-70 TO 1976-77

	1969-1970	1970-1971	1971-1972	1972-1973	1973-1974	1974-1975	1975-1976	1976-1977
1. Number of FTE[1] faculty on the payroll, all ranks[2]	100	103	104	104	104	105	106	110
2. Average compensation[3] per FTE faculty member, all ranks[2]	100	108	115	121	126	133	141	148
3. Annual percentage increases in average faculty compensation	--	8%	6%	5%	4%	6%	6%	5%
4. Total payroll, all faculty and all ranks[2]	100	113	123	129	132	141	152	166
5. Ratio: FTE student enrollment to FTE faculty on the payroll[4]	16.1	15.9	16.4	16.2	16.1	16.2	16.1	15.4

[1]Full-time equivalent.

[2]Index Numbers: 1969-70 = 100

[3]Includes fringe benefits.

[4]The data for 1969-70 to 1973-74 may not be precisely comparable to that for later years.

TABLE 10

ANNUAL PERCENTAGE INCREASES IN FACULTY COMPENSATION,
1969-70 THROUGH 1975-76

	Percentage Increases in Faculty Compensation or Salaries				
	Sample of 100 Private Institutions[1]	Institutions Reporting to AAUP[2]	All Institutions: Compiled by the National Center for Educational Statistics[3]	Percentage Increase in Consumer Price Index[4]	Percentage Increases in Average Weekly Earnings, Private Non-agricultural Employment[4]
1968-69 to 1969-70	--	7.1%	5.8%	5.7%	5.2%
1969-70 to 1970-71	8%	6.2	5.4	5.1	5.5
1970-71 to 1971-72	6	4.3	3.5	3.7	6.7
1971-72 to 1972-73	5	5.0	4.1	4.7	6.9
1972-73 to 1973-74	4	5.9	5.1	8.7	6.5
1973-74 to 1974-75	6	5.4	5.8	11.0	6.1
1974-75 to 1975-76	6	6.4	6.1	7.3	7.0
1975-76 to 1976-77	5	--	--	5.5*	6.0*

[1]Data from survey conducted as part of the present study. Refers to total compensation.

[2]AAUP Bulletin, August 1975, p. 125. Refers to total compensation and to both public and private institutions.

[3]Chronicle of Higher Education, February 9, 1976, p. 5. Refers to salaries only and to both public and private institutions.

[4]SOURCE: U. S. Department of Labor.

*Estimated by the authors, based on data for 7 months of the year.

A comparison of the level and trends in faculty compensation between public and private institutions may be useful. Table 11 suggests that salaries are somewhat lower in private than in public institutions, and table 12 indicates that salary trends have risen more rapidly in public than in private institutions though the differences were small in 1975-76.

TABLE 11

AVERAGE FACULTY COMPENSATION BY TYPE OF INSTITUTION

	1975-76
Universities[1]	
Public	$21,110
Private Independent	23,820
Private Church-Related	19,540
College I[2]	
Public	19,780
Private Independent	18,850
Private Church-Related	17,300
College II[3]	
Public	18,370
Private Independent	17,960
Private Church-Related	15,720

SOURCE: AAUP Bulletin, Summer, 1976, p. 126.

[1]Institutions awarding at least 15 earned doctorates per year in at least three non-related disciplines.

[2]Institutions awarding degrees above the bachelor's degree but not qualifying as "universities."

[3]Institutions awarding only the bachelor's degree or equivalent.

Faculty Tenure and Work Load

Table 13 presents information on various aspects of faculty status and working conditions. The percentage on tenure held about steady in 1976-77, but faculty turnover decreased somewhat especially among Liberal Arts Colleges II. About 9 percent of the faculty resigned, retired, or died; and new appointments were equal to about 10 percent of the faculty. This rate of turnover does bring fresh faces into the institutions, though most of the turnover undoubtedly occurs among younger people in the non-tenured ranks.

TABLE 12

PERCENTAGE CHANGES IN FACULTY COMPENSATION,[1] ALL ACADEMIC RANKS, BY TYPE OF INSTITUTION, 1969-70 THROUGH 1975-76

		1970-71 from 1969-70	1971-72 from 1970-71	1972-73 from 1971-72	1973-74 from 1972-73	1974-75 from 1973-74	1975-76 from 1974-75
Universities[2]	Public	5.7%	4.3%	4.9%	5.3%	6.3%	6.8%
	Private independent	6.3	4.3	4.2	5.6	5.1	6.5
	Private church-related	7.3	4.4	5.8	4.9	5.2	7.1
Colleges Awarding Some Advanced Degrees	Public	5.5	3.9	5.6	7.1	7.6	6.2
	Private independent	8.7	4.9	4.9	4.9	5.4	5.6
	Private church-related	7.5	4.7	5.2	5.3	6.0	6.3
Colleges Awarding Bachelor's Degrees	Public	6.6	5.7	4.8	5.8	6.5	5.9
	Private independent	6.4	4.4	4.2	4.6	4.8	6.0
	Private church-related	7.3	4.1	4.7	4.5	5.1	5.4

SOURCES: AAUP Bulletin, Summer 1971, p. 226; Summer 1972, p. 182; Summer 1973, p. 192; Summer 1974, p. 176; Summer 1975, p. 127; Summer 1976, p. 210.

[1] Includes salaries and fringe benefits.

[2] Institutions awarding at least 15 earned doctorates per year in at least 3 non-related disciplines.

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TABLE 13

DATA RELATING TO THE STATUS OF FACULTY,
BY TYPE OF INSTITUTION, 1974-75 to 1976-77

	Doctoral-Granting Universities	Comprehensive Universities and Colleges	Liberal Arts Colleges I	Liberal Arts Colleges II	Four Types of Institutions - Combined
Percentage of faculty on tenure:					
1974-75	58%	57%	63%	48%	57%
1975-76	59	60	64	49	60[1]
1976-77	59	61	61	53	59
Faculty turnover:					
Separations as percentage of faculty:					
1973-74	11	10	9	11	10
1975-76	10	9	9	10	9
1976-77	9	8	7	12	9
New appointments as percentage of faculty:					
1973-74	10	10	9	14	11
1975-76	11	9	9	15	12
1976-77	11	9	9	11	10
Student-faculty ratios					
Ratios of student enrollment FTE[2] to faculty on the payroll FTE:					
1974-75	16.1	18.8	11.9	15.0	16.2
1975-76	16.8	17.8	12.7	15.1	16.1
1976-77	16.1	16.7	12.9	15.0	15.4

[1]The National Center for Educational Statistics reports that for all private institutions the tenure percentage in 1975-76 was 51 percent and for all public institutions 57 percent. American Council on Education, A Fact Book on Higher Education, Third Issue, 1975, p. 75.162.

[2]Full-time equivalent.

As shown in tables 9 and 13, the work load of faculty (or the efficiency of instruction), as measured by the ratio of students to faculty, did not change appreciably during the years 1969-70 to 1975-76. In 1976-77, however, there was a significant reduction in the ratio of students to faculty as a result of the increase in size of faculty.

Administrative and Non-academic Staff

Our data on administrative and non-academic staff tend to be somewhat erratic. We do not know whether the erratic behavior accurately describes the phenomena or whether the data are faulty. The figures may be affected by decisions of some institutions to contract with outside firms for food service, building maintenance, repair service, etc. They may also be affected by differences from year to year in classification of employees among the several categories. In general, we suspect that our figures may underestimate the growth of administrative and non-academic employment over the years (table 14).

Up to 1974-75, our data showed substantial increases in administrative and clerical personnel, a large decrease in "other non-academic staff," and approximate stability of total administrative and non-academic employment. The decrease in "other non-academic staff" was one of the few areas of retrenchment discovered in our study. In 1975-76 we found a continued upward trend in the number of administrative and clerical workers and a reversal of the downward trend in "other non-academic staff." The net of these changes is a substantial increase in 1976-77 in the combined employment of these groups.

We suspect that the expansion of administrative and non-academic personnel has come about partly because administrative loads have been increasing, partly because earlier cuts in "other non-academic staff" could not be sustained over the long run. Eventually deferred maintenance and other postponed activities could no longer be put off.

Median wage and salary increases in 1976-77 were 5 percent for the clerical staff, 7 percent for the administrative staff, and 8 percent for other non-academic staff (table 15). These figures compare with 5 percent (average) increase for faculty.

Table 16 presents a comparison of administrative salaries in public and private institutions over the period 1971-72 to 1975-76. The data show that administrative salaries in public colleges and universities are generally higher than in private institutions, due in part to the larger average size and complexity of public institutions. But they also show that salary increases over the period since 1971-72 have been larger in the public sector.

TABLE 14

CHANGES IN NUMBER OF FULL-TIME ADMINISTRATIVE AND NON-ACADEMIC EMPLOYEES, 1969-70 THROUGH 1976-77
(Index Numbers: 1969-70 = 100)

	1969-1970	1971-1972	1972-1973	1973-1974	1974-1975	1975-1976	1976-1977
Doctoral-Granting Universities	100	99	99	101	99	96	98
Comprehensive Universities and Colleges	100	108	105	101	103	103	108
Liberal Arts Colleges I	100	105	101	103	104	110	108
Liberal Arts Colleges II	100	100	108	111	113	106	106
Four Types of Institutions Combined:							
Administrative Staff	100	95	100	105	112	107	114
Clerical Staff	100	112	111	114	113	112	115
Other Non-academic Staff	100	99	97	93	91	94	95
Total	100	102	102	101	101	101	104

TABLE 15

MEDIAN PERCENTAGE INCREASES OF WAGES AND SALARIES OF ADMINISTRATIVE AND NON-ACADEMIC STAFF, 1973-74 TO 1976-77

	Doctoral-Granting Universities	Comprehensive Universities and Colleges	Liberal Arts Colleges I	Liberal Arts Colleges II	Four Types of Institutions -- Combined
Administrative Staff:					
1973-74 to 1974-75	8%	6%	7%	7%	7%
1974-75 to 1975-76	7	7	6	7	7
1975-76 to 1976-77	9	6	7	7	7
Clerical Staff:					
1973-74 to 1974-75	8	8	8	8	8
1974-75 to 1975-76	8	7	6	7	7
1975-76 to 1976-77	6	5	7	5	5
Other Non-Academic Staff:					
1973-74 to 1974-75	7	7	7	8	7
1974-75 to 1975-76	7	7	6	7	7
1975-76 to 1976-77	8	10	7	7	8

TABLE 16

MEDIAN ADMINISTRATIVE SALARIES IN A LARGE SAMPLE OF PUBLIC AND PRIVATE INSTITUTIONS, 1971-72 AND 1975-76

	1971-72		1976-76		Percentage Increase 1971-72 to 1975-76	
	Public	Private	Public	Private	Public	Private
Chief Executive Officer	$29,500	$27,000	$35,500	$33,000	20%	22%
Chief Academic Officer	23,825	20,000	29,229	24,150	23	21
Registrar	15,492	11,900	19,700	14,743	27	24
Director of Admissions	15,920	13,300	20,156	16,450	27	24
Head Librarian	17,015	12,769	21,520	15,571	26	22
Chief Business Officer	20,700	18,000	25,604	21,800	24	21
Director Physical Plant	15,348	12,250	19,308	15,000	26	22
Chief Development Officer	19,212	18,000	24,156	22,000	26	22
Chief Public Relations Officer	16,050	12,600	20,500	15,000	28	19
Chief Student Life Officer	20,214	15,000	25,346	17,902	25	19

SOURCE: College and University Personnel Association, Administrative Compensation Survey, 1971-72, pp. 20,25; 1974-75, pp. 17, 18.

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Conclusions

The data reported by the institutions on changes in faculty and staff in 1975-76 yielded the following conclusions:

1. The size of the faculties, which had about kept pace with the growth of enrollment over the years since 1969-70, increased substantially in 1976-77. The ratio of students to faculty which had been stable for several years at between 16.1 and 16.4 declined in 1976-77 to 15.4.

2. Faculty compensation has long been in a race with inflation. During the years 1969-70 through 1972-73, faculty compensation was winning by a small margin. Since then, compensation has risen less rapidly than the Consumer Price Index, and the real earnings of faculty members have on the average been declining. In 1975-76, however, the race was again close. Compensation increased by about 6 percent and the rise in prices was 7.3 percent. In 1976-77, compensation increased by 5 percent and the rise in prices will probably turn out to be around 5.5 percent. Also, faculty compensation has in the past two years nearly kept pace with average earnings in private non-agricultural employment.

3. Faculty compensation in the private institutions is overall somewhat lower than that in public institutions. Moreover, over the years since 1972-73, compensation has risen somewhat less rapidly in the private institutions than in the public institutions.

4. The percentage of faculty members on tenure held about steady in 1976-77 and faculty turnover decreased slightly, especially among Liberal Arts Colleges II.

5. Overall, the number of administrative and non-academic employees increased substantially in 1976-77.

6. Median wage and salary increases for administrative and non-academic employees were 5 percent for clerical workers, 7 percent for administrative staff, and 8 percent for other non-academic staff.

7. Perhaps the most important finding of this year's study is that employment--both academic and non-academic--expanded. This together with salary increases approximating the rate of inflation suggest that the private sector is not being forced to retrench significantly.

CHAPTER IV

EDUCATIONAL PROGRAM: CONTENT AND QUALITY

In our previous two reports, we made considerable effort to learn about program changes and to obtain self-assessments from the institutions about their educational and financial progress. We considered information on these subjects as important indicators of institutional progress and as supplemental to data on enrollments and finances.

Findings of the First Two Reports

In the first study, we asked the institutions to report on additions or expansions and deletions or contractions of programs. "Programs" included academic departments or majors, research activities, services for students, and academic support programs such as libraries and audio-visual centers, auxiliary enterprises, and public services. We had expected to find considerable retrenchment in programs; instead we found that additions and expansions exceeded deletions and contractions by ten to one. Amazingly, we found only one institution out of 80 respondents that had experienced net retrenchment of programs (see pp. 28-31 of the First Report).

We were cautious in interpreting these surprising data because our data merely indicated the number and direction of changes, not the dollar amounts involved. Moreover, we recognized that some of the changes represented defensive measures designed to hold students or to attract new clienteles and were not necessarily indicators of financial adequacy. Nevertheless, even after allowing for these factors, the overwhelming excess of program additions and expansions over deletions and contractions led us to suspect that little retrenchment was actually taking place.

In view of these results, we tried in the second study to gather much more information about changes in the content and quality of educational programs. The findings of the second study, which were consistent with those of the first study, were as follows:

1. New programs and expansion of existing programs continued to exceed deletions and contractions.

2. The number of courses offered increased by 29 percent over the period 1969-70 to 1975-76.

3. The qualifications, competence, and performance of the faculty improved over time and the ability of the institutions to hold capable faculty increased.

4. The ability level and preparation of students deteriorated in accordance with national trends. Moreover, the current career interests of students threatened the integrity of liberal education. However, the private sector appeared to be no worse off in these respects than the public sector.

5. Quality of instruction improved and much innovation was going on.

6. Many institutions expanded student services.

7. Administrative officials and faculty members at most colleges and universities thought their institutions were "holding their own" or "gaining ground" financially and educationally.

8. The expectations of the institutions for the next several years, as expressed by the presidents and other academic officers, were overwhelmingly optimistic, though about 20 percent thought they were losing ground financially.

In preparing the present report, we did not repeat the detailed survey of program because program change occurs too slowly to justify an annual study. In the future, we hope to repeat all these surveys. However, we did gather data on course offerings and we requested that the presidents of the institutions in our sample assess the present condition and future outlook of their institution. The results of these inquiries are presented in tables 17 through 20.

Course Offerings

A special study was made of the undergraduate course offerings of the 100 institutions in the sample. The purpose was to discover changes in academic programs that might reflect significant retrenchment. The data were derived not from questionnaires but from the actual schedules of courses offered in the autumn semester or quarter of 1969-70, 1975-76, and 1976-77.

Table 17 shows the average number of undergraduate courses offered by institutions of various types. For each group of institutions the total number of courses offered was substantially larger in 1975-76 than in 1969-70. The percentage increases ranged from 15 to 35 percent. During this same period enrollments increased by 9 percent (see table 1). Thus, the growth in course offerings outpaced by a large margin the growth in enrollment. In 1976-77 the expansion of course offerings continued in all types of institutions except Doctoral-Granting Universities, but for the four types of institutions combined the increase was small. Table 18 shows the changes in course offerings by disciplines over the period 1969-70 to 1976-77. During the period from 1969-70 to 1975-76 expansion occurred in nearly all disciplines. In a few cases, there was no change: classics, French, Spanish, industrial arts, journalism, and nursing. In only one field, namely Russian, was there a decline in average number of courses offered. However, between 1974-75 and 1975-76 expansions exceeded

TABLE 17

AVERAGE NUMBER OF UNDERGRADUATE COURSES OFFERED,
BY TYPE OF INSTITUTION, 1969-70, 1975-76, AND 1976-77

				Percentage Change	
	1969-70	1975-76	1976-77	1969-70 to 1975-76	1975-76 to 1976-77
Doctoral-Granting Universities	514	692	677	+35%	- 2%
Comprehensive Universities and Colleges	347	439	470	+27	+ 7
Liberal Arts Colleges I	214	284	294	+33	+ 4
Liberal Arts Colleges II	149	177	186	+19	+ 5
Four Types of Institutions Combined	301	388	399	+29	+ 3

TABLE 18

AVERAGE NUMBER OF UNDERGRADUATE COURSES OFFERED, BY DISCIPLINES,
FOUR TYPES OF INSTITUTIONS COMBINED,
1969-70, 1975-76, AND 1976-77

	1969 - 70	1975 - 76	1976 - 77		1969 - 70	1975 - 76	1976 - 77
Natural Science				Language and Literature			
Biology	10	14	14	Classics	6	6	6
Chemistry	9	10	10	English	17	20	22
General Science	2	3	3	French	7	7	7
Geology	4	6	7	German	5	6	5
Physics/Astronomy	9	10	10	Russian	4	3	3
Mathematics	13	15	15	Spanish	7	7	6
Social Science and Humanities				Other	5	7	9
				Professional Fields			
Anthropology	4	5	5	Business/Accounting	23	29	29
Economics	8	9	10	Computer Science	4	6	8
Geography	4	6	5	Criminal Justice	-	3	3
History	13	16	16	Education	22	29	29
Political Science	9	12	12	Engineering	28	33	28
Psychology	11	14	15	Home Economics	6	8	8
Sociology	11	14	15	Industrial Arts	2	2	3
General Humanities	2	4	4	Interdisciplinary Studies	4	7	5
Philosophy	8	9	9	Journalism	8	8	7
Religion	10	13	12	Law	3	5	3
Fine Arts				Library Science	1	2	2
Art	15	18	19	Military Science	3	4	4
Dance	5	8	7	Nursing	8	8	7
Music	23	35	39	Physical Education	18	23	23
Speech/Drama	14	21	24				

contractions by only a small margin. From the data, it would appear that curricular expansion has abated. However, one does not get the impression that curricular retrenchment has been widespread or that academic "quality" has been eroded by reason of curricular cutbacks.[1]

Institutional Self-Assessments

Tables 19 and 20 present responses of the presidents of the institutions in our sample regarding the present condition and future outlook for their institutions. As compared with their responses in previous years, there were moderate changes in attitudes and opinions expressed, and the overall assessment may be a bit less bullish than in the past, but one could not construe these responses as pessimistic. On the whole, most of the presidents believe their institutions are in fairly good condition and look forward to some progress.

TABLE 19

COMPARISON OF BROAD GENERAL ASSESSMENTS BY THE PRESIDENTS OF RECENT TRENDS IN THE CONDITION OF THEIR INSTITUTIONS, 1974-75, 1975-76, AND 1976-77*

	Percentage, Reporting Institutions			
	Gaining Ground	Holding Our Own	Losing Ground	Total
Financial condition, as assessed in:				
1974-75	30%	48%	22%	100%
1975-76	41	39	20	100
1976-77	49	36	15	100
Academic condition, as assessed in:				
1974-75	71	28	1	100
1975-76	56	44	--	100
1976-77	67	32	1	100
Quality of student services, as assessed in:				
1974-75	52	45	3	100
1975-76	51	44	5	100
1976-77	42	49	9	100

*Based on 89 responses in 1974-75, 85 responses in 1975-76, and 86 responses in 1976-77.

[1]We do not mean to imply that curricular retrenchment would necessarily diminish quality.

TABLE 20

EXPECTATIONS FOR THE NEXT FIVE YEARS AS EXPRESSED BY PRESIDENTS OF PARTICIPATING INSTITUTIONS*

Responses to the Question: How do you view the outlook for your institution over the next five years?

	Percentage of Reporting Presidents									
	Doctoral-Granting Universities		Comprehensive Universities and Colleges		Liberal Arts Colleges I		Liberal Arts Colleges II		Four Types of Institutions Combined	
	1975 - 76	1976 - 77	1975 - 76	1976 - 77	1975 - 76	1976 - 77	1975 - 76	1976 - 77	1975 - 76	1976 - 77
Will improve substantially	50%	43%	27%	21%	28%	29%	52%	34%	44%	32%
Will improve a little	38	57	62	67	60	62	35	47	44	54
No change	12	--	8	8	--	--	9	13	7	9
Will slip a bit	--	--	4	--	12	9	4	5	5	5
Will deteriorate seriously	--	--	--	4	--	--	--	--	--	--
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

*Based on responses from 85 of 100 institutions in both years.

A recent survey of board chairmen of private four-year colleges (conducted by the Association of Governing Boards) produced responses somewhat different from those of the presidents. When the board chairmen were asked, "Are most private institutions probably fiscally worse off than they would have the general public believe?", 61 percent said "yes" and 23 percent said "no." However, when they were asked, "Have recent financial and educational trends had a positive effect on the extent to which your own board is facing up to its proper role and responsibilities?", 90 percent said "yes" and 7 percent said "no." These responses suggest a sense of precariousness about the financial situation but greater effort to cope with problems.

Conclusions

The proliferation of curricula which had taken place for several years from 1969-70 on has apparently slowed down. We found, however, no evidence of curricular retrenchment. Presidential assessments of the condition of the institutions and the outlook continue to be hopeful--certainly not pessimistic.

CHAPTER V

OPERATING REVENUES AND EXPENDITURES

The operating revenues and expenditures of colleges and universities are accounted for within what is known as "the current fund." The current fund is the accounting vehicle for financing the regular ongoing operations of institutions. Revenues to the current fund are the monies available to pay for current institutional operations, and expenditures from the current funds are those used to support ongoing instruction, administration, student aid, auxiliary enterprises, etc. Excluded from the current fund are those monies devoted to capital purposes (for example, new buildings and major equipment), endowment, and reserves. In this chapter, we present data on current fund revenues and expenditures over the period 1970-71 through 1975-76. These data are exceptionally reliable. They are based on audited financial statements of 94 of our sample of 100 institutions, these statements having been subjected to careful scrutiny and analysis.

A Note on Statistical Comparability

Because of changes in federal data collection forms, it has not been possible to secure strictly comparable information including the year 1969-70 which is the base year for most of the data in this study and including the latest year 1975-76. In our first report, the statistics on current fund revenues and expenditures were based on figures derived from the Higher Education General Information Survey (HEGIS) of the U.S. Department of Health, Education, and Welfare. In the present report, the figures for 1973-74, 1974-75, and 1975-76 are derived directly from the audited financial statements of the institutions. In the future, we expect to continue to use the audited statements and thus to obtain information of higher accuracy and comparability over time. To effect this improvement, however, does present the problem of linking the earlier with the later data. We have tried to achieve the linkage in such a way as to avoid seriously misleading error.

Another complicating factor is that standard accounting classifications have been recently modified in accordance with recommendations of the National Association of College and University Business Officers. Our data for the years 1973-74 and thereafter are classified on the basis of the new system. Appendix A presents a comparison of the old and new classifications and Appendix B presents the definitions used for coding revenues and expenditures.

Current Fund Revenues

Changes in current fund revenues over the period 1970-71 through 1975-76 are shown in table 21.[1] The table indicates that over the entire period total current fund revenues for all four types of institutions increased by 52 percent and that educational and general revenues increased by 55 percent. Over the same years, enrollment increased by 5 percent[2] and the price level rose by 40 percent (as measured by the Consumer Price Index). Thus, it appears that the growth in current fund revenues barely kept ahead of the combined growth of enrollment and inflation, and provided only a small amount of funds for educational improvement or for salary increases beyond those needed to keep up with inflation.

Prior to 1974-75, as indicated in our first report, private higher education had been able to keep slightly ahead of enrollment growth and inflation; but, in 1974-75, some ground was lost. In that year, enrollment grew by 1 percent and the Consumer Price Index rose by 11 percent, whereas educational and general revenues increased by only 9 percent and total current revenues by 10 percent (see table 21). During the year 1975-76, however, inflation subsided to about 7 percent and enrollment held about steady, while educational and general revenues and total current revenues increased by 10 percent. Thus, some of the ground lost in 1974-75 was recovered in 1975-76.

Table 22 presents data on educational and general revenue per student. When these figures are expressed in constant dollars (1970-71 = 100), the loss of ground that occurred in 1974-75 when inflation was at its height is clearly revealed, and the partial recovery in 1975-76 is equally clearly shown.

Table 23 shows changes in the percentage distribution of educational and general revenues by sources over the period since 1970-71. Though there were minor variations from year to year in the relative importance of difference revenue sources the only generalization one can draw is that little change occurred in the proportions of the several revenue sources. Institutions collectively have not been forced to increase the relative amounts of revenues from tuitions, as is often feared. Moreover, they have not had to depend increasingly on private gifts to balance current budgets.

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[1] The data for the two years are not strictly comparable and tend to overstate the growth slightly.

[2] See table 1. The index number of enrollment in 1970-71 was 103 and in 1975-76 it was 108.

TABLE 21

CHANGES IN CURRENT REVENUES, 1970-71 THROUGH 1975-76,
BY TYPES OF INSTITUTIONS

	Index Numbers 1973-74 = 100			Index Numbers 1970-71 = 100		
	1973-74	1974-75	1975-76	1970-71	1974-75[3]	1975-76[4]
Doctoral-Granting Universities						
Educational and general revenues[1]	100	111	123	100	145	161
Total current revenues[2]	100	111	123	100	140	156
Comprehensive Universities and Colleges						
Educational and general revenues[1]	100	108	118	100	136	149
Total current revenues[2]	100	108	118	100	133	145
Liberal Arts Colleges I						
Educational and general revenues[1]	100	107	117	100	138	151
Total current revenues[2]	100	107	117	100	133	145
Liberal Arts Colleges II						
Educational and general revenues[1]	100	110	122	100	142	157
Total current revenues[2]	100	111	122	100	135	149
Four types of institutions combined						
Educational and general revenues[1]	100	109	120	100	141	155
Total current revenues[2]	100	110	121	100	138	152

[1]Educational and general revenues include receipts from tuition and fees; governmental appropriations, grants, and contracts; private gifts and grants; endowment income; etc.

[2]Includes educational and general revenues plus revenues from auxiliary enterprises.

[3]The data for the two years are not strictly comparable because student aid revenues are included in the 1974-75 data but not in the 1970-71 data.

[4]For data showing the change from 1970-71 to 1973-74, see the Second Report (1976), p. 54.

TABLE 22

EDUCATIONAL AND GENERAL REVENUES PER STUDENT, 1970-71 THROUGH 1975-76
IN CURRENT AND CONSTANT DOLLARS

	Data from HEGIS Reports[3]		Data from Audited Financial Statements[4]		
	1970-7	1973-74	1973-74	1974-75	1975-76
Current dollars					
Doctoral-Granting Universities	$3,103	$3,892	$4,496	$4,900	$5,326
Comprehensive Universities and Colleges	2,346	2,843	2,818	3,046	3,247
Liberal Arts Colleges I	3,253	3,898	4,126	4,360	4,665
Liberal Arts Colleges II	2,061	2,733	2,876	3,163	3,394
Four types of institutions combined	2,694	3,355	3,340	3,623	3,902
Constant 1970-71 dollars[1]					
Doctoral-Granting Universities	3,103	3,293	3,833	3,758	3,815
Comprehensive Universities and Colleges	2,346	2,405	2,402	2,336	2,326
Liberal Arts Colleges I	3,253	3,298	3,517	3,344	3,342
Liberal Arts Colleges II	2,061	2,312	2,452	2,426	2,431
Four types of institutions combined	2,694	2,838	2,847	2,778	2,795
Consumer Price Index	100.0	117.3	117.3	130.4	139.6
Index of total enrollment[2]	100	104	104	105	106

[1]Deflated on the basis of Consumer Price Index.

[2]See table 1.

[3]Student aid revenues not included.

[4]Student aid revenues included.

TABLE 23

PERCENTAGE DISTRIBUTION OF EDUCATIONAL AND GENERAL REVENUES, 1973-74 THROUGH 1975-76

	1973-74	1974-75	1975-76
Doctoral-Granting Universities			
Tuitions and fees	57%	56%	58%
Governmental appropriations, grants, and contracts	19	19	19
Private gifts and grants	12	12	11
Endowment income	5	5	5
Other	7	7	7
Total, E and G Revenues	100%	100%	100%
Comprehensive Universities and Colleges			
Tuitions and fees	74%	73%	74%
Governmental appropriations, grants, and contracts	10	11	11
Private gifts and grants	8	8	8
Endowment income	4	4	4
Other	4	4	3
Total, E and G Revenues	100%	100%	100%
Liberal Arts Colleges I			
Tuitions and fees	63%	63%	64%
Governmental appropriations, grants, and contracts	4	5	5
Private gifts and grants	14	13	14
Endowment income	14	13	12
Other	5	6	5
Total, E and G Revenues	100%	100%	100%
Liberal Arts Colleges II			
Tuitions and fees	64%	62%	63%
Governmental appropriations, grants, and contracts	11	12	13
Private gifts and grants	17	17	16
Endowment income	3	4	4
Other	5	5	4
Total, E and G Revenues	100%	100%	100%
Four types of institutions combined			
Tuitions and fees	64%	63%	64%
Governmental appropriations, grants, and contracts	14	15	15
Private gifts and grants	11	11	10
Endowment income	5	5	5
Other	6	6	6
Total, E and G Revenues	100%	100%	100%

Current Fund Expenditures

Table 24 presents data on the percentage distribution of educational and general expenditures. Perhaps the main characteristic of these distributions is the stability of the expenditure patterns of the various groups of institutions. There was a slow upward drift in the relative amount spent for scholarships and fellowships, a slow downward trend in proportion spent for institutional support (mostly administration), and a decline in the amount devoted to research. But again, only the word stability adequately describes the allocation of expenditures. Table 24 does show, however, that the four institutional groups differ considerably in the way they spend their money. This can be shown vividly by recapitulating some of the 1975-76 figures for the four types of institutions as follows:

	Doctoral-Granting Universities	Comprehensive Colleges and Universities	Liberal Arts Colleges I	Liberal Arts Colleges II
Instruction	44.4%	42.3%	40.7%	35.9%
Research	10.6	4.6	0.9	0.3
Student services	4.4	6.2	10.3	11.2
Institutional support (administration)	11.5	16.2	15.4	19.0
Scholarships and fellowships	8.6	10.3	11.5	13.0

Surpluses and Deficits

In considering the financial position of colleges and universities attention is often focused on current fund deficits. The preoccupation with deficits is to some extent misplaced because the amount of deficits or surpluses can sometimes be determined by managerial decisions or governing board rules as to the allocation of gifts between current operations on the one hand and capital, endowment, or reserves on the other. Frequently, institutions show deficits in the same year that they accumulate large capital or endowment funds; or they show surpluses when they have been drawing down capital by providing inadequate reserves. Yet surpluses or deficits are not wholly meaningless in that most institutions try very hard to balance their current budgets and a deficit is usually (though not always) a sign of at least temporary stringency. Persistent deficits are almost always a sign of financial distress.

The most significant question relating to the interpretation of deficits is the amount of current gifts that may prudently be assigned to current operating revenues. In table 23, we show that in 1975-76 the four groups of institutions obtained the following percentages of educational and general revenues from private gifts:

Doctoral-Granting Universities	11%
Comprehensive Universities and Colleges	8
Liberal Arts Colleges I	14
Liberal Arts Colleges II	16

TABLE 24

PERCENTAGE DISTRIBUTION OF EDUCATIONAL AND GENERAL EXPENDITURES, 1973-74 THROUGH 1975-76

	1973-74	1974-75	1975-76
Doctoral-Granting Universities			
Instruction	43.6%	44.5%	44.4%
Research	11.8	10.8	10.6
Public Service	1.1	.9	1.4
Academic Support	8.3	8.2	8.6
Student Services	4.6	4.8	4.4
Institutional Support	12.5	11.9	11.5
Plant Operation and Maintenance	9.0	9.1	9.0
Scholarships and Fellowships	8.1	7.9	8.6
Principal and Interest	.9	1.8	1.5
Loan Fund Matching	.1	.1	.1
Total	100.0%	100.0%	100.0%
Comprehensive Universities and Colleges			
Instruction	42.9%	42.5%	42.3%
Research	4.9	4.8	4.6
Public Service	.3	.5	.6
Academic Support	7.8	8.0	7.6
Student Services	6.5	6.3	6.2
Institutional Support	15.6	15.7	16.2
Plant Operation and Maintenance	10.3	10.5	10.4
Scholarships and Fellowships	9.4	9.7	10.3
Principal and Interest	1.9	1.8	1.7
Loan Fund Matching	.2	.2	.2
Total	100.0%	100.0%	100.0%
Liberal Arts Colleges I			
Instruction	41.4%	41.0%	40.7%
Research	1.0	1.0	.9
Public Service	.4	.4	.3
Academic Support	7.0	7.0	7.2
Student Services	10.0	10.3	10.3
Institutional Support	16.2	16.1	15.4
Plant Operation and Maintenance	11.6	11.8	12.2
Scholarships and Fellowships	11.2	11.1	11.5
Principal and Interest	1.2	1.3	1.4
Loan Fund Matching	.1	--	.1
Total	100.0%	100.0%	100.0%
Liberal Arts Colleges II			
Instruction	37.3	35.9	35.9
Research	.8	.4	.3
Public Service	.6	.7	.7
Academic Support	6.4	7.0	6.8
Student Services	11.2	11.0	11.2
Institutional Support	19.9	20.2	19.0
Plant Operations and Maintenance	10.5	10.9	10.8
Scholarships and Fellowships	10.8	11.4	13.0
Principal and Interest	2.3	2.4	2.3
Loan Fund Matching	.2	.1	.1
Total	100.0%	100.0%	100.0%

TABLE 24 (Continued)

	1973-74	1974-75	1975-76
Four Types of Institutions Combined			
Instruction	42.7%	42.9%	42.8%
Research	7.9	7.4	7.2
Public Service	.8	.7	1.0
Academic Support	7.9	7.9	8.0
Student Services	6.1	6.1	5.9
Institutional Support	14.4	14.1	13.9
Plant Operations and Maintenance	9.7	9.9	9.8
Scholarships and Fellowships	9.0	9.0	9.7
Principal and Interest	1.4	1.8	1.6
Loan Fund Matching	.2	.1	.1
Total	100.0%	100.0%	100.0%

The judgment of the authors is that figures as high as 16 percent, or one-sixth of educational and general revenue may be a sign of financial weakness--except in institutions having large resources or unusually dependable donors of current gifts. Such a high percentage may invite future trouble if economic conditions should worsen or if the attitudes of donors should turn sour. The use of gifts to this extent for current operations may be a mortgaging of the future by slowing up the accumulation of endowment and physical capital. However, we are not prepared to argue that institutions should use no gift income for current operations, and we recognize that prudent amounts may vary among institutions according to their circumstances.

One last caution about the data on surpluses and deficits must be mentioned. Surpluses and deficits tend to be small residuals from large amounts of revenue and expenditure. They therefore tend to be volatile in the sense that statistical errors that are small relative to total revenues and expenditures can result in wide fluctuations in the residual surpluses and deficits.

Having made these observations about the varying interpretations of the concepts surplus and deficit, we attempted to measure the aggregate surpluses and deficits based on our sample of institutions. For this purpose, our definition was simply total current revenues (including whatever gifts the institutions allocated to current revenues) minus total current expenditures. If the difference was positive it was called a surplus; if negative, a deficit. We then expressed each surplus (+) or deficit (-) as a percentage of total current expenditures.

Our estimates of the consolidated current fund deficits and surpluses, by types of institutions, are shown in table 25. The data for 1970-71 through 1973-74 are based on different definitions from the data for 1973-74 and 1975-76. The trends for the two sets of data are, however, roughly consistent. Beginning in 1970-71, deficits were apparently so common that three of the institutional groups were in the red. Improvement occurred over the next three years except for the Liberal Arts Colleges II

TABLE 25

CONSOLIDATED CURRENT FUND SURPLUS (+) OR DEFICIT (-)
AS PERCENTAGE OF TOTAL CURRENT FUND EXPENDITURES,
1970-71 THROUGH 1975-76

	Data from HEGIS Reports[1]				Data from Audited Financial Statements[2]		
	1970-71	1971-72	1972-73	1973-74	1973-74	1974-75	1975-76
Doctoral-Granting Universities	- 2.5%	- 0.5%	- 0.9%	+ 0.2%	+ 1.9%	+ 1.2%	+ 0.6%
Comprehensive Universities and Colleges	+ 5.7	+ 4.1	+ 3.0	+ 3.7	+ 3.8	+ 1.0	+ 1.4
Liberal Arts Colleges I	- 0.6	+ 1.6	+ 1.4	+ 2.8	+ 3.4	+ 1.7	+ 2.8
Liberal Arts Colleges II	- 0.8	+ 0.3	+ 0.1	- 1.5	- 0.3	+ 0.4	+ 0.6
Four types of institutions combined	+ 0.4	+ 1.2	+ 0.6	+ 1.3	+ 2.3	+ 1.1	+ 0.8

[1]Refers to educational and general expenditures and auxiliary enterprises but excludes mandatory transfers for amortization of debt and for other purposes.

[2]Refers to consolidated current fund including educational and general expenditures, auxiliary enterprises, and mandatory transfers for amortization of debt and other purposes.

which reentered the deficit column in 1973-74. This situation was turned around in 1974-75 and in that year and also in 1975-76, all four groups of institutions achieved surpluses.[1] From these data one cannot draw the conclusion that the institutions were financially affluent but one can reasonably conclude that no disastrous change in their fortunes occurred in the last two years and that they enjoyed prudent financial management.

Conclusions

From the analysis of current fund revenues and expenditures some tentative conclusions about the financial position of private higher education can be drawn. The comparability of our data over time has been diminished by the necessity to change sources of data and accounting definitions. Nevertheless, a reasonably clear picture emerges.

1. During the period 1970-71 through 1973-74, current revenues kept pace with enrollment growth and inflation. In 1974-75, however, inflation was so rapid that current revenues failed by a small margin to keep pace. In that year, enrollment grew by 1 percent and the Consumer Price Index rose by 11 percent, whereas educational and general revenues increased by 9 percent and total current revenues by 10 percent. In view of the swiftness of inflation in 1974-75, it is not surprising that the revenues of private higher education failed to keep pace.

2. During the year 1975-76, inflation subsided to about 7 percent and enrollment held steady, while revenues increased by 10 percent. Thus, some of the ground lost in 1974-75 was recovered. In 1976-77, the rate of inflation will probably end up around 5.5 percent and it may be hoped that the setback of 1974-75 will, by the end of 1976-77, be completely offset.

3. For current revenues merely to keep pace with enrollment growth and inflation is not sufficient to ease the financial position of private higher education. This rate of increase allows little room for improvement in educational quality or improvements in faculty and staff salaries. In fact, because of rising costs in the non-salary areas--for example, energy--the institutions have not been able to give full cost-of-living salary increases to faculty and staff.

4. The proportion of current revenues derived from tuitions and fees has not increased, as is commonly assumed, but has declined slightly. The proportion of current revenues from endowment income, which had been declining steadily over many years, held steady in 1974-75 and 1975-76. These would ordinarily be

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[1] These surpluses were before non-mandatory transfers from other funds to the current fund and from the current fund to other funds. When these transfers had been accomplished, the final surpluses and deficits were negligible as a percentage of current expenditures.

interpreted as favorable signs. On the other hand, the private institutions, especially the Liberal Arts Colleges I and II, have been obtaining a relatively high proportion of their current revenues from private gifts and grants. This may be a sign of financial weakness.

5. Patterns of current expenditures by purpose have remained relatively constant over time.

6. The four types of institutions differ considerably in the allocation of their funds. The position of the Liberal Arts II institutions appears considerably different from that of the other three groups in that they assign a relatively small share of their funds to instruction and a relatively large share to administration, student services, and student aid.

7. Since 1970-71, the budgetary situation as measured by deficits has on the whole improved. In 1974-75 and 1975-76, each of the four groups of institutions achieved a combined surplus. However, the average amount of surplus has been declining in recent years.

CHAPTER VI

ASSETS, LIABILITIES, AND NET WORTH

The art of analyzing the balance sheets of colleges is in its infancy. Because of the valuation of assets at book value, the practice of most colleges and universities to ignore depreciation, the difficulty of reconciling the two purposes of accounting--fiduciary and managerial--and the variations in institutional usage of the terms "restricted" and "unrestricted" assets, balance sheet data are soft and difficult to interpret. Yet, at least in principle, they are important to financial analysis of academic institutions.

Data on assets, liabilities, and net worth were obtained from the audited financial statements of 94 of the 100 institutions in the sample.

Trends in Assets, Liabilities, and Net Worth

Changes in the consolidated balance sheets of our sample of institutions are shown in table 26. Over the period since 1969-70, total assets increased by 38 percent and net assets by 35 percent. During the same period, enrollments grew by 8 percent and the Consumer Price Index rose by 47 percent. Thus, it is clear that the book value of assets failed to keep pace with the combined effect of enrollment growth and inflation. This conclusion is scarcely surprising in a period of rapid inflation. Since most assets are not revalued in current dollars, one should not expect the dollar figures to grow in proportion to increases in the price level.

The liabilities shown in balance sheets are fixed obligations and the dollar amounts do not change with fluctuations in the price level. As a result, in an inflationary period the relative burden of debt tends to decline. The growth of liabilities over the six-year period was slower than the rate of inflation and also slower than the growth in assets at book value, and so the net position of the institutions probably improved (table 26). As a result, fund balances (roughly comparable to net worth) increased more rapidly than assets reflecting a gain in the percentage of assets owned by the institutions without encumbrance. However, the upward spurt in current liabilities and in interfund borrowing suggest that there may have been increasing cash flow problems.

TABLE 26

CHANGES IN ASSETS, LIABILITIES, AND FUND BALANCES,
FOUR TYPES OF INSTITUTIONS COMBINED,
END OF FISCAL YEARS 1969-70 TO 1975-76
(Index Numbers: 1969-70 = 100)

	1969-1970	1971-1972	1972-1973	1973-1974	1974-1975	1975-1976
Assets:						
Current	100	116	119	122	127	143
Endowment	100	110	116	122	121	128
Plant	100	113	118	125	132	137
Other	100	121	137	149	163	178
Total Assets	100	113	118	125	130	138
Interfund borrowing	100	117	97	100	109	117
Net Assets	100	113	119	126	131	135
Liabilities:						
Current	100	108	107	113	120	142
Plant	100	113	111	117	120	119
Other	100	106	117	164	137	176
Total Liabilities	100	111	113	118	120	126
Fund Balances:						
Current	100	134	149	145	146	148
Endowment	100	110	117	121	121	127
Plant	100	113	121	127	137	145
Loan	100	127	144	154	175	188
Annuity and life	100	110	122	129	140	165
Total Fund Balances	100	113	121	127	133	140

Tables 27, 28, 29, and 30 show seven year trends in assets, liabilities, and net worth for each of the four types of institutions. Generally, the trends were quite similar for the four groups. The principal changes in 1975-76 (see table 31) were: a sharp increase in interfund borrowing among the Comprehensive Colleges and Universities and a sharp increase in current liabilities among the Doctoral-Granting Universities. Growth of interfund borrowing is a mark of financial weakness because it usually signifies that institutions have been forced to borrow from endowment or plant funds to finance current operations. Growth of current liabilities is also a sign of weakness because it reflects an increase in borrowing to meet current obligations or a slowing-up in the payment of ongoing obligations. All four groups ended the year with small increases in total fund balances (net worth). These increases in fund balances for the four groups of institutions combined were about 5 percent--not commensurate with inflation at the rate of 7 percent.

Table 32 shows percentage distributions of assets, liabilities, and fund balances for the years 1974-75 and 1975-76. These percentages were remarkably stable over the two years. In our previous reports, we found the same stability over a six-year period from 1969-70 to 1974-75. Perhaps the most noticeable change was the decrease in plant fund liabilities as a percentage of total liabilities (for all groups except Liberal Arts Colleges I) indicating that most institutions are not, on balance, incurring new debt for buildings and equipment. At the same time, all groups except the Liberal Arts Colleges I experienced an increase in current liabilities as a percentage of total liabilities.

Ratios of Assets to Liabilities

Various ratios of assets to liabilities over the period since 1969-70 are shown in table 33. Changes in these ratios have been small and, on the whole, favorable, over the seven-year period. During 1975-76 as well changes in the ratios were small but mostly favorable. So far as the burden of debt is concerned, the current situation can only be described as stable with neither marked improvement nor marked deterioration.

Conclusions

The balance sheet analysis has yielded the following conclusions:

1. Over the six years since 1969-70, the growth of assets, liabilities, and net worth did not keep pace with the combined growth in enrollment (8 percent) and the rise in the Consumer Price Index (47 percent). This lag is understandable in view of rapid inflation. Balance sheet items are stated at book value and are not adjusted from year to year for changes in the price level.

2. The burden of debt was reduced for two reasons. First, inflation over the years reduced the impact of long-term

debt by making it payable in cheaper dollars. Second, the ratio of assets to liabilities increased both over the seven-year period since 1969-70 and slightly in the latest year, 1975-76.

3. Plant fund liabilities as a percentage of total liabilities declined in 1975-76. On balance, institutions are not incurring new debt for buildings and equipment.

4. The recent decline in the stock market has substantially reduced the market value of endowment. This development is not reflected in the endowment account which is carried in the balance sheets at book value.

5. Certain possible weak spots that show up are: a recent substantial increase in interfund borrowing among the Comprehensive Universities and Colleges and an increase in current liabilities among the Doctoral-Granting Universities.

6. The changes in assets, liabilities, and net worth were small during 1975-76. Our main impression is one of stability. On the basis of these data one could not say that private higher education on the whole is gaining ground; neither could one say positively that it is losing ground.

TABLE 27

CHANGES IN ASSETS, LIABILITIES, AND FUND BALANCES
DOCTORAL-GRANTING UNIVERSITIES,
END OF FISCAL YEARS 1969-70 TO 1975-76
(Index Numbers: 1969-70 = 100)

	1969-1970	1971-1972	1972-1973	1973-1974	1974-1975	1975-1976
Assets:						
Current	100	115	113	112	122	143
Endowment	100	110	117	123	120	128
Plant	100	112	116	124	133	139
Other	100	116	135	149	164	201
Total Assets	100	111	117	124	129	138
Interfund borrowing	100	122	95	84	111	119
Net Assets	100	112	118	125	129	138
Liabilities:						
Current	100	108	101	102	111	138
Plant	100	110	107	121	128	128
Other	100	90	100	151	118	170
Total Liabilities	100	108	104	116	122	134
Fund Balances:						
Current	100	134	145	139	149	155
Endowment	100	111	118	123	121	127
Plant	100	112	119	126	134	142
Loan	100	127	148	158	167	180
Annuity and life	100	99	119	134	141	166
Total Fund Balances	100	113	120	126	131	138

TABLE 28

CHANGES IN ASSETS, LIABILITIES, AND FUND BALANCES
COMPREHENSIVE UNIVERSITIES AND COLLEGES,
END OF FISCAL YEARS 1969-70 TO 1975-76
(Index Numbers: 1969-70 = 100)

	1969-1970	1971-1972	1972-1973	1973-1974	1974-1975	1975-1976
Assets:						
Current	100	112	126	137	130	137
Endowment	100	108	108	114	117	123
Plant	100	116	121	126	133	137
Other	100	125	140	152	162	172
Total Assets	100	115	120	126	132	137
Interfund borrowing	100	104	75	90	80	95
Net Assets	100	115	122	127	133	130
Liabilities:						
Current	100	104	109	125	126	141
Plant	100	115	114	114	114	111
Other	100	118	133	153	120	116
Total Liabilities	100	114	114	117	116	116
Fund Balances:						
Current	100	132	166	166	140	130
Endowment	100	107	107	113	118	124
Plant	100	116	125	132	141	148
Loan	100	127	142	153	187	201
Annuity and life	100	120	133	131	138	143
Total Fund Balances	100	115	122	130	137	143

TABLE 29

CHANGES IN ASSETS, LIABILITIES, AND FUND BALANCES
LIBERAL ARTS COLLEGES I,
END OF FISCAL YEARS 1969-70 TO 1975-76
(Index Numbers: 1969-70 = 100)

	1969-1970	1971-1972	1972-1973	1973-1974	1974-1975	1975-1976
Assets:						
Current	100	135	141	152	152	155
Endowment	100	112	122	124	121	127
Plant	100	114	119	123	129	135
Other	100	118	114	127	143	156
Total Assets	100	114	121	125	127	133
Interfund borrowing	100	124	132	136	139	137
Net Assets	100	114	121	125	127	129
Liabilities:						
Current	100	109	131	144	135	133
Plant	100	114	113	117	119	122
Other	100	141	185	177	172	180
Total Liabilities	100	114	119	124	124	126
Fund Balances:						
Current	100	157	149	159	167	175
Endowment	100	112	121	124	121	127
Plant	100	113	120	125	131	137
Loan	100	122	133	144	156	165
Annuity and life	100	114	96	108	130	148
Total Fund Balances	100	114	121	126	128	135

TABLE 30

CHANGES IN ASSETS, LIABILITIES, AND FUND BALANCES
LIBERAL ARTS COLLEGES II
END OF FISCAL YEARS 1969-70 TO 1975-76
(Index Numbers: 1969-70 = 100)

	1969-1970	1971-1972	1972-1973	1973-1974	1974-1975	1975-1976
Assets:						
Current	100	116	134	137	142	157
Endowment	100	114	121	132	141	148
Plant	100	110	115	120	130	136
Other	100	136	153	163	177	190
Total Assets	100	113	119	126	136	143
Interfund borrowing	100	135	153	177	177	172
Net Assets	100	113	119	125	135	142
Liabilities:						
Current	100	122	138	151	162	181
Plant	100	111	110	113	114	116
Other	100	200	174	365	400	444
Total Liabilities	100	115	117	125	129	134
Fund Balances:						
Current	100	89	120	91	122	118
Endowment	100	112	119	128	135	142
Plant	100	110	117	124	137	145
Loan	100	129	143	153	170	181
Annuity and life	100	177	220	153	166	173
Total Fund Balances	100	112	120	127	138	146

TABLE 31

PERCENTAGE CHANGES IN SELECTED BALANCE SHEET ACCOUNTS
BY TYPES OF INSTITUTIONS,
1974-75 AND 1975-76

	Total Assets	Interfund Borrowing	Net Assets	Current Liabilities	Total Liabilities	Total Fund Balances
Doctoral-Granting Universities:						
1974-75	+ 4%	+32%	+ 3%	+ 9%	+ 5%	+ 4%
1975-76	+ 7	+ 7	+ 7	+24	+10	+ 6
Comprehensive Universities and Colleges:						
1974-75	+ 5	-11	+ 5	+ 1	- 1	+ 5
1975-76	+ 4	+19	- 2	+12	0	+ 5
Liberal Arts Colleges I:						
1974-75	+ 2	+ 2	+ 2	- 6	0	+ 2
1975-76	+ 5	- 1	+ 2	- 1	+ 2	+ 5
Liberal Arts Colleges II:						
1974-75	+ 8	0	+ 8	+ 7	+ 3	+ 9
1975-76	+ 5	- 3	+ 5	+12	+ 4	+ 5
Four Types of Institutions Combined:						
1974-75	+ 4	+ 9	+ 4	+ 6	+ 2	+ 5
1975-76	+ 6	+ 7	+ 3	+19	+ 5	+ 5

TABLE 32

PERCENTAGE DISTRIBUTIONS OF ASSETS, LIABILITIES, AND FUND BALANCES, BY TYPES OF INSTITUTIONS, END OF FISCAL YEARS 1974-75 AND 1975-76

	Doctoral-Granting Universities		Comprehensive Universities and Colleges		Liberal Arts Colleges I		Liberal Arts Colleges II		Four Types of Institutions Combined	
	1974-75	1975-76	1974-75	1975-76	1974-75	1975-76	1974-75	1975-76	1974-75	1975-76
Assets:										
Current	8.9%	9.7%	6.2%	6.3%	5.1%	5.0%	7.0%	7.4%	7.5%	8.0%
Endowment	29.3	29.3	15.8	16.1	39.5	39.6	16.6	16.6	25.4	25.5
Plant	55.9	54.8	70.8	70.3	49.7	49.5	67.9	67.5	60.6	59.8
Other	5.9	6.2	7.2	7.4	5.7	6.0	8.5	8.7	6.5	6.7
Total Assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Interfund Borrowing	1.9	1.9	1.8	2.0	3.3	3.1	3.0	2.8	2.1	2.2
Net Assets	98.1	98.1	98.2	98.0	96.7	96.9	97.0	97.2	97.9	97.8
Liabilities:										
Current	31.5	35.5	18.0	20.2	18.2	17.7	23.6	25.3	25.1	28.3
Plant	63.1	57.5	79.0	77.1	76.8	77.3	69.8	68.0	70.2	66.3
Other	5.4	7.0	3.0	3.0	5.0	5.1	6.6	7.0	4.7	5.7
Total Liabilities	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Fund Balances:										
Current	3.8	3.7	2.6	2.3	3.4	3.3	0.9	0.9	3.2	3.1
Endowment	35.6	35.0	20.5	20.6	44.4	44.4	21.3	21.3	31.2	31.0
Plant	54.1	54.3	67.2	67.2	46.2	45.9	67.3	67.4	58.2	58.2
Loan	4.5	4.6	8.8	7.9	3.2	3.2	9.0	9.1	5.7	5.8
Annuity & Life	2.0	2.4	0.9	0.9	2.8	3.0	1.5	1.5	1.7	1.9
Total Fund Balance	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

TABLE 33

SELECTED RATIOS OF ASSETS TO LIABILITIES BY TYPE OF INSTITUTION, END OF FISCAL YEARS 1969-70 TO 1975-76

	1969-1970	1971-1972	1972-1973	1973-1974	1974-1975	1975-1976
1. Current unrestricted assets ÷ corresponding liabilities:						
Doctoral-Granting Universities	1.1	1.1	1.2	1.2	1.1	1.1
Comprehensive Universities and Colleges	1.0	1.2	1.2	1.2	1.0	1.0
Liberal Arts Colleges I	1.3	1.4	1.5	1.6	1.6	1.6
Liberal Arts Colleges II	1.0	0.9	1.0	0.9	0.9	0.9
Four Groups Combined	1.0	1.1	1.2	1.2	1.1	1.2
2. All current assets ÷ all current liabilities:						
Doctoral-Granting Universities	1.4	1.5	1.6	1.5	1.5	1.4
Comprehensive Universities and Colleges	1.4	1.5	1.7	1.6	1.5	1.4
Liberal Arts Colleges I	2.2	2.7	2.3	2.3	2.4	2.5
Liberal Arts Colleges II	1.2	1.2	1.2	1.1	1.1	1.1
Four Groups Combined	1.4	1.5	1.6	1.5	1.5	1.5
3. Plant fund assets ÷ plant fund liabilities:						
Doctoral-Granting Universities	4.6	4.7	5.0	4.8	4.8	5.0
Comprehensive Universities and Colleges	3.3	3.3	3.5	3.6	3.8	4.0
Liberal Arts Colleges I	5.3	5.2	5.5	5.6	5.7	5.8
Liberal Arts Colleges II	3.1	3.1	3.3	3.3	3.7	3.8
Four Groups Combined	3.9	3.9	4.2	4.2	4.3	4.5
4. Total assets ÷ total liabilities:						
Doctoral-Granting Universities	5.1	5.2	5.7	5.4	5.4	5.3
Comprehensive Universities and Colleges	3.8	3.8	4.0	4.1	4.3	4.4
Liberal Arts Colleges I	8.6	8.5	8.7	8.7	8.8	9.0
Liberal Arts Colleges II	3.5	3.4	3.6	3.5	3.8	3.9
Four Groups Combined	4.6	4.7	4.8	4.9	5.0	5.0

CHAPTER VII

ANALYSIS OF THE CONDITION OF INSTITUTIONS INDIVIDUALLY

The previous sections of this report described the condition of the private sector as a whole or of sub-groups within the private sector. The information presented was in the form of consolidated data describing trends in the position of groups of institutions. These data did not reveal the considerable variability among institutions. In this chapter, we report on our assessment of the data for 90 of the 100 sample institutions individually.

Method

First, we assembled critical information for each institution indicating its relative "strength" as of 1975-76. For this purpose we used the following data:

Item	Characteristic Measured
Endowment fund balance per FTE student	Financial independence
Ratio of total assets to total liabilities	Debt burden
Ratio of current assets to current liabilities	Liquidity
Total current revenue per student	Adequacy of revenues
Total assets (less interfund borrowing) per FTE student	Adequacy of assets

Those institutions were classified as "strong" which in our judgment had resources per student sufficient to mount high-quality programs and were not burdened with exceptional indebtedness. At the other extreme, those institutions were classified as "weak" which had minimal resources per student and relatively heavy indebtedness. Between the extremes were those institutions which were neither exceptionally strong nor exceptionally weak.

Second, we assembled data for each institution on changes over the past six years and over the past two years in critical factors affecting financial and educational strength. For the purpose we used the following data:

Item	Characteristic Measured
Percentage change in endowment fund balance	Financial independence
Percentage change in total revenues	Adequacy of revenues
Percentage change in gifts applied to the current fund	Dependence on current gifts to balance budget
Percentage change in FTE enrollment	Capacity to attract and hold students
Percentage change in revenue from tuitions and fees	Dependence on tuition and fees
Point change[1] in ratio of total assets to total liabilities	Debt burden
Point change[1] in ratio of current assets to current liabilities	Liquidity
Point change[1] in ratio between overall surplus or deficit and net revenue	Surplus or deficit

Using the data on change (over the last six years and over the two most recent years) we divided the institutions into three categories: those gaining ground, those holding their own, and those losing ground. The dividing lines were arbitrary and based on our best judgment.

With these procedures, we were able to place each institution in a matrix expressing both its current position and the direction in which it has been heading. As would be expected, we found some currently strong institutions which appeared to be losing ground and some currently weak institutions which seemed to be gaining ground. And, as would be expected, we found considerable variability among the institutions.

Findings

The resulting classifications of institutions for 1974-75 and 1975-76 are presented in tables 34 and 35. From these tables, the following conclusions may be reached:

1. The distribution of institutions, according to their present condition and recent trends in that condition, changed very little over the two years. The one notable change was an increase from 8 to 13 in the number of institutions we classified as "currently weak." That difference, however, may not be statistically significant, and may only reflect bias in our judgmental processes. Nevertheless, in our opinion, there was a barely perceptible adverse change in the general situation in 1975-76.

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[1] Number of points by which ratio changed.

TABLE 34

NUMBER OF INSTITUTIONS, BY ESTIMATED CURRENT CONDITION AND BY ESTIMATED RECENT TREND[1] IN CONDITION, 1974-75

Type of Institution and Current Condition	Estimated Recent Trend in Condition			
	Gaining Ground	Holding Steady	Losing Ground	Total
Doctoral-Granting Universities:				
Strong	-	2	-	2
Middle	1	3	2	6
Weak	-	-	-	-
Total	1	5	2	8
Comprehensive Universities and Colleges:				
Strong	-	1	2	3
Middle	7	12	7	26
Weak	1	-	1	2
Total	8	13	10	31
Liberal Arts Colleges I:				
Strong	3	2	5	10
Middle	3	5	3	11
Weak	-	-	-	-
Total	6	7	8	21
Liberal Arts Colleges II:				
Strong	3	-	1	4
Middle	9	6	5	20
Weak	2	2	2	6
Total	14	8	8	30
Four Types of Institutions Combined:				
Strong	6	5	8	19
Middle	20	26	17	63
Weak	3	2	3	8
Total	29	33	28	90

[1] Includes six-year and two-year trend.

TABLE 35

NUMBER OF INSTITUTIONS, BY ESTIMATED CURRENT CONDITION AND BY ESTIMATED RECENT TREND[1] IN CONDITION, 1975-76

Type of Institution and Current Condition	Estimated Recent Trend in Condition			
	Gaining Ground	Holding Steady	Losing Ground	Total
Doctoral-Granting Universities:				
Strong	1	-	1	2
Middle	2	1	2	5
Weak	-	1	-	1
Total	3	2	3	8
Comprehensive Universities and Colleges:				
Strong	1	2	1	4
Middle	5	11	9	25
Weak	-	1	1	2
Total	6	14	11	31
Liberal Arts Colleges I:				
Strong	4	3	5	12
Middle	-	6	1	7
Weak	1	1	-	2
Total	5	10	6	21
Liberal Arts Colleges II:				
Strong	2	-	1	3
Middle	6	6	7	19
Weak	5	2	1	8
Total	13	8	9	30
Four Types of Institutions Combined:				
Strong	8	5	8	21
Middle	13	24	19	56
Weak	6	5	2	13
Total	27	34	29	90

[1]Includes six-year and two-year trend.

2. Strong as well as weak institutions have lost ground in the past several years and also weak as well as strong institutions have gained ground. All together, in 1975-76, 29 institutions were classed as losing ground, 27 as gaining ground, and 34 as holding steady.

3. Serious distress in the form of current weakness combined with losing ground was rare. On the other hand, only eight institutions were classed as strong and gaining ground. Most institutions were classed as of middle strength or holding steady.

4. Of the 28 institutions classed as "losing ground" in 1974-75, 11 dropped out of that classification in 1975-76. On the other hand, 10 institutions which had not been so classified in 1974-75 entered the "losing ground" classification in 1975-76. Seventeen institutions were so classified in both years. These data illustrate that much change occurs from year to year and that because an institution begins to lose ground does not necessarily signify that it is doomed to extinction. In the course of our studies of the private sector we have witnessed some dramatic turnarounds.

Institutional Mortality

In the three years we have been conducting our studies, not a single institution in our sample has disappeared. One of the reasons for this result is that when institutions get in trouble, they take steps to correct their problems. The "will to live" among colleges and universities is very strong. A recent tabulation of the number of institutions of higher education listed in the annual Education Directory of Colleges and Universities (prepared by the National Center of Educational Statistics) indicates that more four-year private institutions were operating in 1975-76 than in 1969-70 and also more in 1975-76 than in the preceding year (see table 36).[1] These data do not reveal the number of institutions established or the number expiring in each year. They show only net changes. Nevertheless, they strongly suggest that mortality among four-year institutions has been small.

Conclusion

We have chosen not to produce any "box scores" of the number of institutions in distress, but rather to be content with classifications shown in tables 34 and 35 which record success stories as well as problem cases, and recognize that institutions can shift from one category to

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[1]However, the number of two-year private colleges has been slowly diminishing. There were 30 fewer operating in 1975-76 than in 1969-70 and 10 fewer in 1975-76 than in the preceding year.

TABLE 36

TOTAL NUMBER OF FOUR-YEAR INSTITUTIONS OF HIGHER EDUCATION AND BRANCHES, UNITED STATES, 1969-70 TO 1975-76

	Private	Public	Total
1969-70	1,254	519	1,733
1970-71	1,269	530	1,799
1971-72	1,270	536	1,806
1972-73	1,293	541	1,834
1973-74	1,318	549	1,867
1974-75	1,335	552	1,887
1975-76	1,361	553	1,914
Net Change:			
1969-70 to 1975-76	+ 107	+ 34	+ 141
1974-75 to 1975-76	+ 26	+ 1	+ 27

SOURCE: American Council on Education, Higher Education and National Affairs, May 21, 1976, p. 6.

another from year to year. Changes have occurred for particular institutions, but the institutions in our sample were distributed in 1975-76 pretty much as they had been distributed in 1976-77. However, in our judgment, there may have been a barely perceptible downward drift over the past year in the distribution of our sample of institutions with respect to current financial strength or financial trends.

CHAPTER VIII

SUMMARY AND CONCLUDING OBSERVATIONS

This report is the third in an annual series designed to provide timely and reliable information on the condition of the private sector of American higher education. The report is based on comprehensive information gathered from a carefully chosen sample of 100 private colleges and universities. The sample is representative of all private, four-year, non-profit, accredited institutions except major research universities and independent professional schools.

The first report in this series provided base data for the years 1969-70 through 1973-74. The second report concentrated on financial developments in the year 1974-75. This, the third report, updates the two preceding reports to 1975-76 for financial data and 1976-77 for other data.

Each chapter of this report contains a concluding section in which the findings are summarized. Hence this final chapter will concentrate on overall interpretation.

The Principal Findings

1. The private sector held its own in 1976-77 in enrollment and admissions. There were no adverse changes and no great leaps forward. The future enrollment situation remains uncertain in view of the well-known demographic changes due in the 1980s and in view of the increasing interest of students in vocational education. However, up to 1976-77, the private sector has on the whole maintained its position in both numbers and academic qualifications of its students.

2. In 1976-77, there was a small but significant increase in employment of both academic and non-academic staff. The ratio of students to faculty fell from 16.1 to 15.4. With the subsidence of inflation, the percentage rise in faculty salaries was nearly as great as the rise in the Consumer Price Index, and non-academic salaries advanced somewhat more than the CPI.

3. The percentage of faculty on tenure held about steady in 1976-77 and faculty turnover decreased slightly.

4. The proliferation of curricula which had occurred during the period 1969-70 to 1975-76 apparently slowed down but did not stop. There was no evidence of curricular retrenchment.

5. Presidential assessments of the current condition of the institutions and the outlook for the future continued to be hopeful.

6. With the slowing of inflation and a substantial (10 percent) increase in revenues, some of the financial ground lost during the severe inflation of 1974-75 was recovered. The distribution of revenues by sources and of expenditures by purposes remained remarkably constant. The allocation of expenditures among Liberal Arts Colleges II suggests continued weakness in that a relatively small percentage of expenditures is assigned to instruction, and relatively large percentages to administration, student services, and student aid. All four groups of institutions ended 1975-76 with consolidated surpluses. This does not mean, however, that every institution enjoyed a surplus.

7. The various ratios of assets to liabilities held steady or increased slightly in 1975-76 indicating no deterioration in overall debt position. However, there was a significant increase in interfund borrowing among Comprehensive Universities and Colleges and an increase in current liabilities among Doctoral-Granting Universities.

8. Capital expenditures which had been relatively low in 1975-76 dropped again in 1976-77. It is probable that depreciation and obsolescence are taking their toll and that unmet capital needs are accumulating. The institutions are probably experiencing hidden deficits in the capital account and a day of reckoning, when capital expenditures must increase, will come some day.

9. Analysis of the financial position of the institutions individually yielded no surprises. The distribution of institutions among various categories based on their current financial strength and on their financial trends over time was similar in 1975-76 to that in 1974-75, though the position of particular institutions changed--some improving and some retrogressing. Not a single institution in our sample of 100 has ceased operation in the three years we have been in contact with them. Moreover, for the private sector as a whole the number of four-year institutions in 1975-76 was greater than in 1969-70 at the very peak of prosperity in higher education.

The Competitive Position of the Private Sector

An interesting question is: How has the private sector been able to maintain its position despite the wide, and widening, "tuition gap" between private and public institutions?

Table 37 shows the trend of student charges (tuitions, fees, board, and room) for public and private institutions over the period 1965-66 to 1975-76. The ratio of private to public charges has remained remarkably constant over these years because charges in public institutions have increased at about the same rate as those in private institutions. However,

TABLE 37

COMPARATIVE TUITIONS, FEES, BOARD, AND ROOM
PUBLIC AND PRIVATE INSTITUTIONS,
1965-66 TO 1975-76

	Tuition, fees, board, and room[1]						
	Dollar Amount		Dollar Difference Private minus Public	Ratio: Private to Public	Per capita Disposable Income[2]	Tuitions, fees, board, and room as a percentage of per capita disposable income	
	Public	Private				Public	Private
1965-66	$ 983	$ 2,005	$ 1,022	2.04	$ 2,430	40%	83%
1970-71	1,288	2,740	1,452	2.13	3,348	38	81
1971-72	1,357	2,917	1,560	2.15	3,588	38	81
1972-73	1,406	2,979	1,573	2.12	3,837	37	78
1973-74	1,524	3,184	1,660	2.09	4,292	36	74
1974-75	1,708	3,592	1,884	2.10	4,642	37	77
1975-76	1,882	3,981	2,099	2.12	5,040	37	79

[1]National Center for Education Statistics, Projections of Education Statistics to 1984-85, 1976, pp. 106-7.

[2]American Council on Education, A Fact Book on Higher Education, First Issue 1976, p. 31.

the dollar difference between the two sets of charges has doubled over the same period--from $1,022 in 1965-66 to $2,099 in 1975-76. It is usually assumed that this dollar difference is critical in the decisions of students and their families. But, as shown in table 37, per capita disposable income of the American people also approximately doubled from 1965-66 to 1975-76, from $2,430 to $5,040. The dollar difference between public and private student charges, relative to the incomes from which these charges must be paid, did not change. Thus, the competitive position of the private sector, so far as student charges are concerned, is about the same today as it was ten years ago.

Another approach to the question of the competitive position of the private sector is to compare public and private institutions with respect to all the elements of cost of attendance for students. These include transportation, personal expenses, books and supplies, and foregone earnings[1] as well as tuitions, fees, board, and room. Table 38 presents data on these average costs of attendance for the year 1976-77 as estimated by the College Scholarship Service. The ratio of private to public tuition and fees was 3.75; that is, private tuitions were nearly four times public tuitions and fees. But, when all other expenses and costs were added, the ratio was only 1.23 indicating that the comprehensive cost of attending private institutions was less than 25 percent greater than the total cost of attending public institutions. This difference, while still substantial in dollar terms ($1,700 to $1,800) is quite modest in relation to total cost which is of the order of $7,000 to $10,000 a year. These calculations suggest that the competitive position of private higher education is much stronger than is often alleged on the basis of the so-called "tuition gap," and this perhaps explains in part the remarkable staying power of the private sector.

The competitive position of the private sector is strengthened even more by the system of student aid which disburses relatively more aid (per student) to students in the private sector than to those in the public sector. As shown in table 39, the dollar amount of student aid per enrolled student in private institutions was $1,252 in 1976-77. This means that the cost to students of attending private institutions was reduced on the average by $1,252 below the nominal cost. Student aid is, in a sense, a kind of discount from the advertised prices of colleges, the discount being financed from various outside sources and from the institution's own unrestricted funds. In considering public-private competitive relationships it is necessary to keep in mind that students in public institutions also receive student aid, though in smaller amounts on the average than students in the private sector. The net effect of student aid is to reduce the dollar difference between public and private institutions in costs of attendance to an amount below the estimated difference of $1,700 to $1,800 as shown in table 38.

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[1] Foregone earnings refers to the average earnings sacrificed by students because of their attendance at college. The earnings students would have received if they had elected not to attend college is one of the major costs of college attendance.

TABLE 38

AVERAGE STUDENT EXPENSES IN PUBLIC AND PRIVATE FOUR-YEAR INSTITUTIONS, BY TYPE OF RESIDENCE, 1976-77

	Tuition and Fees	Trans-portation	Personal Expenses	Room and Board	Books and Supplies	Total Expenses	Estimated Foregone Earnings	Total Cost Including Foregone Earnings
Resident students living in institutional housing:								
Public institutions	$ 621	$ 193	$ 474	$ 1,304	$ 198	$ 2,790	$ 4,933	$ 7,723
Private institutions	2,329	237	433	1,371	198	4,568	4,933	9,501
Ratio: Private to Public	3.75	1.23	.91	1.05	1.00	1.64	1.00	1.23
Dollar Difference								$ 1,778
Resident students living in private housing:								
Public institutions	$ 621	$ 256	$ 476	$ 1,438	$ 198	$ 2,989	$ 4,933	$ 7,922
Private institutions	2,329	286	458	1,487	198	4,758	4,933	9,691
Ratio: Private to Public	3.75	1.12	.96	1.03	1.00	1.59	1.00	1.22
Dollar Difference								$ 1,769
Commuting students:								
Public institutions	$ 621	$ 367	$ 469	$ 793	$ 198	$ 2,448	$ 4,933	$ 7,381
Private institutions	2,329	333	441	840	198	4,141	4,933	9,074
Ratio: Public to Private	3.75	.91	.94	1.06	1.00	1.69	1.00	1.23
Dollar Difference								$ 1,693

SOURCES: College Entrance Examination Board, Student Expenses at Postsecondary Institutions, 1976-77, pp. vii-viii; estimates of foregone income from Howard R. Bowen, The Consequences of Higher Education, San Francisco: Jossey-Bass Publishers, 1977, chapter I.

TABLE 39

FINANCIAL AID PER FTE STUDENT, 1976-77

	From Federal Programs	From Programs of States	From Programs of Other States	From Current Gifts and Endowment Income Designated for Student Aid	From Current Unrestricted Operating Funds	All Sources Combined
Dollars per FTE Student, 1976-77[1]						
Doctoral-Granting Universities	$ 381	$ 350	$ 100	$ 289	$ 400	$ 1,520
Comprehensive Universities and Colleges	362	308	67	178	349	1,264
Liberal Arts Colleges I	352	167	42	224	329	1,114
Liberal Arts Colleges II	668	369	76	131	231	1,475
Four types of institutions combined	335	321	82	214	300	1,252

[1]Refers to student aid expenditures per student enrolled in the instititions, not to student aid per recipient.

All the dollar figures on cost of attendance shown in tables 37 and 38 are averages. The precise amounts differ widely among the various states and also among institutions within any given state. Also, eligibility for student aid differs widely among students in different circumstances. Nevertheless, when all expenses and costs and all student aid are taken into account, the average difference in cost of attending between public and private institutions is surprisingly small. And this explains in part why the private sector is faring as well as it is.

In considering the role of private colleges and universities in American society, it is often assumed that their influence has been declining because they serve a steadily diminishing proportion of the nation's students. It is true that private higher education has become a steadily smaller part of the total higher educational establishment. Whereas in 1950, the private sector served half the nation's students, in 1975 it enrolled less than a quarter of the total (see table 40). However, it does not follow from this that the private sector has diminished in absolute size or relative influence. Enrollments in private institutions have doubled since 1950 and are now at the highest level ever. Moreover, private colleges and universities are today serving a higher percentage of the college-age population than they did in 1950. With the exception of a short period in the mid-1960s, private enrollments as a percentage of the college-age population have held about steady since 1960. What has happened has been an enormous expansion of public higher education, but no diminution of private higher education either absolutely or relatively.

We would emphasize that the current situation of relative stability can change. Indeed every serious observer of private higher education knows that the position of private universities and colleges is uncertain--especially in view of impending demographic trends. But up to the present, they appear to have held their own. Their staying power has been due in part to the growing state and federal programs of aid to students and to institutions, to careful management, to the continuing support of friends and donors, to the evident fact that private colleges and universities continue to be attractive to millions of students perhaps most of all, and to the strong "will to live" that characterizes all colleges and universities.

TABLE 40

ENROLLMENTS IN PRIVATE COLLEGES AND UNIVERSITIES
AS PERCENTAGE OF TOTAL ENROLLMENTS IN HIGHER EDUCATION
AND AS PERCENTAGE OF TOTAL POPULATION OF AGES 15-24,
1950 TO 1975

	Enrollment (000)			Total Population (000) Ages 15-24	Private enrollment as percentage of	
	Public Institutions	Private Institutions	Total		Total Enrollment	Total Population Ages 15-24
1950	1,154	1,142	2,296	22,355	50%	5.1%
1955	1,498	1,180	2,678	23,465*	44	5.0
1960	2,136	1,474	3,610	24,576	41	5.9
1965	3,655	1,916	5,571	30,773	34	6.2
1970	5,845	2,141	7,986	36,499	27	5.9
1975	7,481	2,350	9,831	40,270	24	5.8

*Estimate

SOURCE: American Council on Education, A Fact Book of Higher Education, 1st Issue, 1976, pp. 6, 10.

APPENDICES

A. COMPARISON OF OLD AND NEW NACUBO CLASSIFICATIONS OF CURRENT FUNDS REVENUE, EXPENDITURES, AND MANDATORY TRANSFERS.

B. DEFINITIONS FOR CODING REVENUES AND EXPENDITURES AND ASSETS AND LIABILITIES

APPENDIX A

COMPARISON OF OLD AND NEW NACUBO CLASSIFICATIONS OF

CURRENT FUNDS REVENUE, EXPENDITURES, AND MANDATORY TRANSFERS

Both the 1975 Industry Audit Guide, Audits of Colleges and Universities and the Accounting Principles Committee of the National Association of College and University Business Officers (NACUBO) have recommended the following changes in classifications of expenditures of current funds. These changes have been made retroactive to 1974 Current Funds.

Prior Classification	NACUBO Classification
1. Instruction and Department Research	1. Instruction and Department Research Includes basically the same items except that it excludes computing services, demonstration schools, and course and curriculum development.
2. Sponsored Research and Sponsored Programs	2. Research Includes only expenditures related to research. Sponsored programs not related to research are excluded and are now included in their related areas, e.g. academic support, instruction and departmental research, or student services.
3. Libraries	3. Public Service Public service expenditures not related to instruction are included in this category. Prior to the NACUBO change of classification, these expenditures were found under "Other."
4. Student Services	4. Academic Support Includes prior classification of "Libraries" but also includes academic deans, demonstration schools, audio/visual services, computing support, and course and curriculum development. Prior to this changeover these expenditures were usually found under "Instruction and Department Research" or "Sponsored Programs."

5. Operation and Maintenance of Plant	5. Student Services Basically this expenditure classification remains the same except that sponsored programs relating to student services are now included here.
6. General Administration	6. Institutional Support Combines both General Administration and General Institutional Support categories. The only exception is that the Academic Dean is now included under Academic Support rather than General Institutional Support.
7. General Institutional	7. Operation and Maintenance of Plant Category remains unchanged.
8. Student Aid	8. Scholarships and Fellowships Includes the prior category of "Student Aid." The main distinction is that the College Work Study Program expenditures are not shown here but in the areas where the student is employed. Both prior and present classifications excluded the BEOGS and ROTC grants but included the SEOGS.
9. Other	9. Prior classification "Other" is not shown under NACUBO classifications. "Other" expenditures are now shown under "Institutional Support."

Athletics: Universities and Comprehensive Universities and Colleges

Athletics revenues and expenditures are included with Auxiliary Enterprises.

Athletics: Liberal Arts Colleges I and II

Athletics revenues are included with sales and services of educational departments.

Athletics expenditures are included with Student Services.

APPENDIX B

DEFINITIONS FOR CODING REVENUES AND EXPENDITURES AND ASSETS AND LIABILITIES

Current Fund Revenues

Student Tuition and Fees. All tuition and fees assessed against students for current operating purposes, tuition, and fee remission or exemptions even though no money is collected from the student. Charges for room, board, and other services rendered auxiliary enterprises are not included.

State Government Revenue. All monies received from state sources, but excluding student aid awarded to individual students by the state. Such awards are included in student tuition and fees.

All Government Revenue. All amounts received from federal and local governments, including student aid. State government revenues are included if the state revenues are not distinguished from "all government" revenue on the audited financial statement.

Gifts and Private Grants Revenue Applied. This category includes all gifts and private grants (including gifts for student-aid) received from non-governmental organizations and individuals. Unrestricted gifts, grants, and bequests include all those received during the current year. Restricted gifts, grants, and bequests include all those actually expended during the current year, including funds given in prior years which are now being expended.

This mixture of funds clouds the interpretation of the item unless a detailed analysis can be made of nonmandatory transfers to determine what funds may have been tapped for current operating expense.

Endowment Income. Income from endowment and similar funds which should be the total ordinary income earned (or yield) except for income that must be added back to the principal in accordance with the terms of the donation.

Sales and Services of Educational Departments. All revenues from sales and services of educational departments and from organized activities related to them.

Contributed Services. Estimated revenues of contributed services; e.g. salaries of administrators and teachers affiliated with religious orders.

Other Revenue. Included here are gains and losses from current fund investments, expired term endowment, matured annuity and life income funds, miscellaneous rentals and sales and all other sources of revenue not included in above classifications.

Subtotal Revenues. The sum of the previous items, often referred to as Educational and General Revenue because of its direct relation of the educational, research, and public service activities of the institution.

Auxiliary Enterprises. Usually includes residence halls, food services, college unions, college stores, and such services as barber shops, beauty parlors, and movie theaters. Intercollegiate athletics are included for comprehensive colleges and universities. For comparative purposes, four-year liberal arts college athletics are included in sales and services of educational departments.

Total Revenues. The sum of all the foregoing items.

Current Fund Expenditures

Instruction and Departmental Research. Included are all expenses of instructional divisions of the institution, including credit and non-credit courses, for academic, vocational, and occupational instruction, and for regular, special, and extension sessions. Not included are expenses for academic administration when administration is the primary assignment, separately budgeted research or public service, and remedial and tutorial instruction (classified as Student Services).

Research. All expenditures for activities specifically organized to produce research outcomes, both those sponsored by external agencies and separately budgeted research programs of the institution. This category does not include sponsored teaching programs or sponsored non-research.

Public Service. Included here are all funds expended for activities providing noninstructional services to individuals and groups external to the institution; e.g., community service programs, conferences, and institutes.

Academic Support. Included are all funds expended to provide support services for the institution's primary missions--instruction, research, and public service. The five major categories included are:

(1) Libraries, museums, and galleries
(2) Demonstration schools
(3) Audio-visual services and academic computing support
(4) Academic administration (including academic deans, but not department chairmen)
(5) Course and curriculum development.

Student Services. Expenditures for such activities as admissions, financial aid administration, student activities, supplemental educational services (like tutoring), counseling, guidance and testing, dean of students services and health services not operated as auxiliary enterprises

(as a university hospital would be). For comparative purposes this category also includes four-year liberal arts and junior college athletics expenditures.

Institutional Support. Expenditures included in this category are general executive and administrative office expenses; e.g., governing board, president's office, fiscal operations, administrative data processing, space management, employee personnel, logistical support, public relations, alumni relations, and development and fund raising.

Operation and Maintenance of Plant. All expenses for the general operation and maintenance of the physical plant, including property insurance.

Scholarships and Fellowships. Included here are scholarships and fellowships, trainee stipends, prizes, and awards. Supplemental Educational Opportunity Grants (SEOG) are included here, but when the institution is not allowed to select the recipient of a grant, e.g., state scholarships, BEOGs and ROTC scholarships, the funds should not be included in total charges. When financial aid is exchanged for student work, e.g., college work-study program, the expense is charged to the unit for which the work is done.

Mandatory Transfers: Principal and Interest. Debt service and renewal and replacement transfers fixed by binding legal agreements.

Mandatory Transfers: Loan Fund. Required matching funds for governmental and private grants.

Subtotal: Educational and General Expenditures. The sum of expenditures for all the above items.

Auxiliary Enterprises, Expenditures. All expenses of auxiliary enterprises as well as their proportionate share of costs for physical plant maintenance and operation and general administration.

Mandatory Transfers, Principal and Interest. Mandatory debt service transfers required of the auxiliary enterprises.

Total Auxiliary Enterprises. The sum of expenditures foregoing two items.

Total Expenditures and Mandatory Transfers. Subtotal of Educational and and General Expenditures, and subtotal of Auxiliary Enterprises.

Net Revenues after Expenditures and Mandatory Transfers. Total revenues minus total expenditures and mandatory transfers.

Other Additions. All nonmandatory transfers of funds into the current fund.

Other Deductions. All nonmandatory transfers out of current funds.

Net Other Transfers. Difference between foregoing two items.

Net Revenues after All Expenditures and Transfers. Total of Net Revenues after Expenditures and Mandatory Transfers and Net Other Transfers.

Balance Owed on Physical Plant. Total external liability owed by plant fund.

Interest on Physical Plant Indebtedness. Amount of interest paid on physical plant.

Total Investment in Physical Plant. Total value of assets consisting of land, buildings, improvements, and equipment. Construction in progress is included in investment in physical plant. For comparative purposes, depreciation is not included.

Endowment Book Value. Total book value of endowment assets.

Endowment Market Value. Total market value of endowment assets.

Endowment Yield. All earnings (dividends, interest, rents, etc.) on investments of endowment funds are included.

Quasi Endowment Fund Balance. Total of quasi-endowment fund balances.

Total Unrestricted Fund Balances. Total of all unrestricted funds available to the institution including quasi-endowment funds.

Assets

Unrestricted Current Assets. All financial resources that are expendable for any purpose in running the institution: cash, short term investments, accounts and notes receivable, prepaid expenses, inventories, and funds internally restricted by governing boards.

Restricted Current Assets. Funds expendable for current operations, but restricted by outside sources such as donors or agencies such as foundations. Gifts, grants, appropriations, endowment income.

Total Current Assets. Unrestricted and restricted current assets combined.

Loans. All loan funds available to students, faculty, or staff. NDSL loans, college loan funds. Assets include cash, notes receivable, and short term investments.

Endowments. All endowment, term endowment, and quasi-endowment funds. Book, not market, value is used. Assets include cash, investments, and real estate.

Annuity and Life. Funds required to pay stipulated amounts periodically to designated individuals. Assets include cash, investments, and securities.

Unexpended Plant. All assets of the plant fund except those invested in institutional properties. Assets include unexpended funds, renewal and replacement, debt service, and funds set aside for retirement of indebtedness.

Total Plant. Total plant assets at undepreciated book value.

Agency. Funds held by the institution as custodian for other groups, e.g., student organizations. Federal current funds are considered current restricted, and NDSL funds are considered loan funds--not agency funds.

Total Assets. Total of all assets including interfund borrowing.

Interfund Borrowing. Total of all internal loans, both short term and long term internal investments.

Net Assets. Total of assets minus interfund borrowing.

Liabilities

Unrestricted Current Liabilities. Includes accounts and notes payable, accrued liabilities, students' deposits, deferred revenues, and amounts due internally to other funds.

Restricted Current Liabilities. Includes accounts and notes payable, refunds due grantors, interfund borrowing.

Plant Liabilities. Includes accounts and notes payable, bonds, notes and mortgages payable, and interfund borrowing, including long-term investments of endowment funds.

Other Liabilities. Loan liabilities are amounts due collection agencies, interfund borrowing. Government grants refundable are not treated as loan liabilities. Endowment liabilities include investment liabilities, mortgage notes payable (on real estate investments), and internal liabilities. Annuities and life liabilities are payable payments currently due but not based on life expectancy tables, and interfund borrowing. Agency liabilities are funds considered liabilities since the institution is only the custodian of these funds.

Total Liabilities. Total of all fund liabilities.

Fund Balances (The balance of any fund represents the difference between the assets and the liabilities of that fund.)

Unrestricted Current Fund Balances. Difference between assets and liabilities.

Restricted Current Fund Balances. Difference between assets and liabilities.

Loan Fund Balances. Government grant fund balances and institution loan fund balances.

Endowment Fund Balances. Difference between assets and liabilities.

Annuities and Life Fund Balances. Difference between assets and liabilities.

Plant Fund Balances. Difference between assets and liabilities.

Total Fund Balances. Total of all fund balances.